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# An Evaluation of Historic Preservation Revolving Loan Funds, and Recommendations for the Establishment of Future Programs

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# An Evaluation of Historic Preservation Revolving Loan Funds, and Recommendations for the Establishment of Future Programs

## **Abstract**

The historic preservation revolving loan fund has been a very valuable, albeit largely overlooked, incentive for historic preservation. This thesis explores establishments and structures, as well as the successes and failures of a majority of the revolving loan funds throughout the country. Whether they are nonprofit organizations or governmental entities, the programs' structural differences are many, but the program administrators' differences in experience and opinion are few. This thesis attempts to provide an otherwise previously unpublished guide to historic preservation revolving loan funds in the United States—their management structures, their operation, their successes and their failures, and to deliver a recommendation to those organizations that wish to establish a revolving loan fund of their own.

## **Disciplines**

Historic Preservation and Conservation

## **Comments**

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AN EVALUATION OF HISTORIC PRESERVATION REVOLVING LOAN FUNDS,  
AND RECOMMENDATIONS FOR THE ESTABLISHMENT OF FUTURE  
PROGRAMS

Olivia Mitchell

A THESIS

in

Historic Preservation

Presented to the Faculties of the University of Pennsylvania in  
Partial Fulfillment of the Requirements of the Degree of

MASTER OF SCIENCE IN HISTORIC PRESERVATION

2011

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Lecturer in Historic Preservation

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Program Chair  
Randall F. Mason  
Associate Professor

## Dedication

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For WWB, who did not complain about vicariously enduring an additional five years of school—I could not have done it without you.

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First and foremost I would like to thank the loan fund administrators who gave me their time and were endlessly patient while I inundated them with questions: Lane Ittleson, Elizabeth Barker, Josh Rogers, Mark Dollase, Ashley Hahn, Karen Ansis, Michael Sriprasert, Arthur Ziegler Jr., Treacy Sayres, Mindy Crawford, Clark Schoettle, Elizabeth Bradley-Wilson, Mary Jo Nelson, Dave Johnson, Anne Raines, Richard Brand, Dorothy Guzzo, Dorothy Victor, John Hinnant, and Mike Martin. Thank you all so much for everything. This thesis would not exist without all of you, and your tireless efforts on behalf of historic preservation.

Thank you to April Wood at Historic Charleston Foundation for helping me find an idea that I not only came to love, but which also allowed me to be helpful.

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## Chapter One: Introduction

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Historic preservation is not the field that it once was. The preservation of early generations, that of historic house museums and stories of “George Washington Slept Here,” is quickly becoming a distant memory. Historic preservation has moved out from behind the curtains and more organizations are getting involved in the redevelopment and revitalization of historic communities. The two fields of historic preservation and real estate development, often considered by some to be completely unrelated, are increasingly merging in several different arenas related to neighborhood revitalization. These communities are not Colonial Williamsburg, but rather they are the communities of our neighbors, made up of historic houses and modern families. If once the primary mission of the historic preservation movement was to “save,” today it is to “reuse.” As Americans move back to our cities from the once dominant suburbs, the work of local preservation groups becomes of the utmost importance, and their work is twofold: advocacy and assistance. Simply advocating for the protection of historic buildings and historic districts is not enough. Preservation entities have seen much success in providing economic incentives that not only make preservation possible, but that make it attractive—the historic preservation revolving loan fund is one of these incentives. Differing from the revolving fund or acquisition fund, revolving loan funds are used to loan money to individuals, small businesses, non-profits, and municipalities to support the design and construction of rehabilitation work on historic buildings. Often overlooked, the historic preservation revolving loan fund is a tool that directly addresses the aforementioned goals of today’s preservation movement.



Originated in the 1950s by the Historic Charleston Foundation in Charleston, South Carolina, revolving funds or acquisition funds have been extremely popular and have yielded positive results in cities like Savannah, Georgia, Boston, Massachusetts, and Galveston, Texas. A revolving fund or acquisition fund is used by a preservation organization to purchase, stabilize and/or rehabilitate, and then resell historic properties to preservation-minded buyers, subject to easements or protective covenants. The fund is defined as revolving because the monies earned from the sale of the historic property go back into the fund to be used for future acquisitions and rehabilitations. In this thesis, these programs will be referred to as acquisition funds, and these acquisition funds differ from revolving loan funds.

In the 1970s, organizations such as Pittsburgh History and Landmarks Foundation and the Providence Revolving Fund realized the benefits of offering loans to those organizations, businesses, and individuals who were interested in renovating an historic property or revitalizing their community through initiatives that included reusing their historic resources—and so, the revolving loan fund was born. In a revolving loan fund, as that term is used in this thesis, a preservation organization or community development corporation provides loans to individuals, small businesses, non-profits, or government entities for the rehabilitation of an old or historic property. In addition, many of the organizations also provide loans for the acquisition of property. The revolving loan fund is defined as revolving because the principal and interest payments received from the borrower are put back into the fund to be loaned out to future property owners. The critical difference between the two types of funds is that the preservation organization administering an acquisition fund takes title to the property, whereas in a loan fund, the

organization loans money to another entity with title to the property. Acquisition funds do not provide assistance for existing property owners or entities looking to purchase and rehabilitate a specific building.

Although organizations with acquisition funds often have grant programs that are targeted to property owners, many property owners are either not eligible for grant funding, or not technically in need of grants because they have the income or financial capacity to be able to pay back the grant monies. While acquisition funds can assist in purchasing or saving historic properties, and grants can address emergency maintenance situations, neither program addresses the regular maintenance or construction side of the care of an historic property. A loan fund fills the void between acquisition funds and grants by providing flexible, low-cost financial assistance to property owners or prospective property owners who otherwise might not be able to get traditional construction funding from a bank, or who are not eligible for other historic preservation rehabilitation incentives.

The revolving loan differs from a typical bank construction loan in that the focus is on the success of the rehabilitation or acquisition and rehabilitation of the property. Organizations that provide such loans, whether they are preservation non-profits, municipalities, or community development corporations, define success in different ways. However, they all share overarching goals: preservation, repayment of the loan to keep the fund revolving, preservation education, increased tax revenue for the city or state, neighborhood revitalization, and facilitating a project that otherwise could not have been done. But the dominant goal, repeatedly described as the most important, is preservation. As a result the programs are typically structured to facilitate the success of each loan with

low and or fixed interest rates, flexibility in repayment period, and technical assistance throughout the construction process. Particularly in uncertain economic times, many of the components of the revolving loan program are invaluable to property owners.

Despite their successes, these programs are not without threats. The current economy has been the biggest threat to such loan programs, as many organizations struggle to maintain the fund balance. Many of the municipalities and government organizations worry that their funding will be taken away by the government, due to pressure from taxpayers to eliminate such spending entirely or to use the money elsewhere. Because the loan fund does not generate any operating income for the organization, many non-profits do not actively solicit monies for the loan fund through their fund-raising campaigns, and the programs are not on the top of their list when applying for grants. In addition to the instability of the fund itself, many of the organizations admit to relying solely on word of mouth as the advertisement for their loan program, because of their small staff or inability to fund a marketing campaign. Despite all of the assurances and flexibility on the part of the organizations and the strong focus on success, the threat of foreclosure dissuades many property owners from applying to such programs because the organizations require the property as collateral to securitize the loan.

Despite the issues mentioned above, the historic preservation revolving loan fund has been a very valuable, albeit largely overlooked, incentive for historic preservation. This thesis explores establishments and structures, as well as the successes and failures of a majority of the revolving loan funds throughout the country. Whether they are non-profit organizations or governmental entities, the programs' structural differences are

many, but the program administrators' differences in experience and opinion are few. This thesis attempts to provide an otherwise previously unpublished guide to historic preservation revolving loan funds in the United States—their management structures, their operation, their successes and their failures, and to deliver a recommendation to those organizations that wish to establish a revolving loan fund of their own.

This thesis is organized as follows:

Chapter Two provides the terminology and definitions used throughout this thesis. Because this thesis contains information pertaining to loans and funding, a terminology chapter is required to better acquaint the reader with some of the finance-centric terms used.

Chapter Three is a review of the literature that pertains to the topic of revolving loan funds. As there is little information available on the topic, this chapter provides a justification for and summary of the goals of this thesis.

Chapter Four is a methodology, which leads the reader through the steps the author took from the topic's inception to the final analysis of the research.

Chapter Five is a history of the development of revolving funds, specifically at Historic Charleston Foundation, and subsequently a history of the development of revolving loan funds. This chapter delivers a foundation upon which to build the case study information included in the following chapters.

Chapter Six provides the case studies of the revolving loan funds operated by non-profit organizations. This chapter includes information on Colorado Historical Foundation, Historic Columbus Foundation, Historic Macon Foundation, Indiana Landmarks, The New York Landmarks Conservancy, Pittsburgh History and Landmarks

Foundation, Preservation League of New York State, Preservation Pennsylvania, Providence Revolving Fund, and Utah Heritage Foundation.

Chapter Seven provides the case studies of the revolving loan funds operated by municipalities or governmental bodies, such as state historic preservation offices. These include the City of Deadwood, SD Historic Preservation Commission; the City of Dubuque, IA Historic Preservation Commission; Maryland Historical Trust; the New Jersey Historic Trust; and the New Mexico Historic Preservation Division.

Chapter Eight provides an analysis of the successes and failures of the fifteen different organizations mentioned above, and using the analysis, will attempt to make a recommendation on the best practice for the establishment and structure of a new revolving loan fund.

Chapter Nine is the conclusion, which includes an overview of the benefits of loan funds, and closing thoughts.

## Chapter Two: Terminology

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The following is an outline and definitions of the terminology that is used throughout this thesis.

There are two distinct types of **revolving funds**. One is typically referred to as a **loan fund**, and the other as an **acquisition fund**. Throughout this thesis, the term **revolving fund** will be used as the umbrella term encompassing both fund types. As utilized throughout this thesis, the term **acquisition fund** is one in which the fund holder uses the money from the fund to purchase properties, renovate them and offer them for sale.<sup>1</sup> This type of fund requires that the non-profit or government entity use capital from the fund to acquire title to the property and use additional capital from the fund for the stabilization or rehabilitation. The goal is that the organization will recoup its costs through the eventual sale of the property. After the property is sold, the proceeds from the sale are deposited back into the fund to be used for similar subsequent acquisitions. This thesis deals primarily with **loan funds**. A **loan fund** is one in which the fund holder loans capital from the fund to other organizations, municipalities, or individuals so that they may undertake the rehabilitation (and sometimes acquisition) of a property. The fund revolves through the repayment of the loan's principal and interest over the course of a pre-established loan term. These payments received by the fund holding entity are deposited back into the fund to be loaned out for other projects. The National Trust Publication *Preservation Revolving Funds* distinguishes them from **acquisition funds** by

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<sup>1</sup> Arthur Ziegler Jr., *Historic Preservation in Inner City Areas: A Manual of Practice* (Pittsburgh, PA: The Allegheny Press, 1971), 32.

describing them as lending money to individuals or organizations for the acquisition and rehabilitation of historic properties.<sup>2</sup> It goes on to explain some of the differences between the **loan funds** such as who is eligible for the loans and what the loans can be used for. Despite different terminology used by all fifteen case studies within this thesis, I have imposed these terms for the purposes of clarity, and to avoid confusion.

Despite the different ways they are described above, either type of **revolving fund (acquisition or loan)** is characterized by the fact that the capital gained through utilization of the money from the fund is put back into the fund to be used at a later date. The two types of funds' inherent similarity is their description as revolving. The term **revolving fund** is defined similarly throughout the literature read for this thesis. The Editor's Note in the Fall 1997 issue of the National Trust for Historic Preservation's *Forum Journal* describes a revolving fund as "dedicated pools of capital used for historic preservation real estate projects wherein all funds repaid to the revolving fund are reused for the same purpose."<sup>3</sup> In his book, *Buying Time for Heritage*, Myrick Howard, Executive Director of Preservation North Carolina, defines a revolving fund as "a pool of capital created and reserved for preservation with the condition that the money be returned to the fund to be reused for similar activities."<sup>4</sup> Similarly, Arthur Ziegler Jr., President of Pittsburgh History and Landmarks, explains the revolving fund process in his book, *Revolving Funds*, as,

Once it is in full operation, the preservation agency begins to receive returns on the money it advances from the fund: property is sold or rented,

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<sup>2</sup> Lyn Moriarty, Susan J. Lutzker Esq., and Colleen C. Derda, *Preservation Revolving Funds*

<sup>3</sup> Susan J. Lutzker and Lyn Howell Moriarty, "Eight Tips for a Successful Revolving Fund," *Forum Journal* 12 (2007): 17.

<sup>4</sup> Myrick Howard, *Buying Time for Heritage: How to Save an Endangered Historic Property* (Raleigh, NC: Historic Preservation Foundation of North Carolina, Inc., 2007), 15.

or loans are repaid, with or without interest. These returns are put in the fund, whose revolution is the passage of money out of, into, and again out of the fund.<sup>5</sup>

Similar to the Editor's Note in the *Forum Journal*, the National Trust Publication *Preservation Revolving Funds* describes revolving funds as "a pool of capital created and reserved for a specific activity with the restriction that the monies are returned to the fund to be reused for similar activities."<sup>6</sup>

The words **rehabilitation** and **restoration** come up frequently within this thesis.

**Rehabilitation** as defined by the National Park Service *Standards for Rehabilitation* is

The act or process of making possible a compatible use for property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural or architectural values.<sup>7</sup>

**Restoration**, as defined by the National Park Service *Standards for Restoration* is

The act or process of accurately depicting the form, features, and character of a property as it appeared at a particular period of time by means of the removal of features from other periods in its history and reconstruction of missing features from the restoration period. The limited and sensitive upgrading of mechanical, electrical, and plumbing systems and other code-required work to make properties functional is appropriate within a restoration project.<sup>8</sup>

Throughout this thesis, especially in the quotations from the numerous interviews conducted by the author, these terms are used interchangeably, and should not be interpreted directly from the *Standards for Rehabilitation* or **Restoration**. As typically

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<sup>5</sup> Arthur Ziegler Jr., *Revolving Funds for Historic Preservation: A Manual of Practice* (Pittsburgh, PA: Ober Park Associates, Inc., 1975), 8.

<sup>6</sup> Lyn Moriarty, Susan J. Lutzker Esq., and Colleen C. Derda, *Preservation Revolving Funds* (Washington DC: National Trust for Historic Preservation, 2006), 1.

<sup>7</sup> National Park Service. "Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings." Accessed April 13, 2011.  
[http://www.cr.nps.gov/hps/tps/standguide/rehab/rehab\\_index.htm](http://www.cr.nps.gov/hps/tps/standguide/rehab/rehab_index.htm)

<sup>8</sup> National Park Service. "Standards for Restoration and Guidelines for Restoring Historic Buildings." Accessed April 13, 2011.  
[http://www.cr.nps.gov/hps/tps/standguide/restore/restore\\_index.htm](http://www.cr.nps.gov/hps/tps/standguide/restore/restore_index.htm)



used, both terms in fact fall under the umbrella term of renovation. The notion of “maintain” or “maintenance” is also included under the umbrella of renovation within this thesis. Although loan funds would most certainly be available for a true **restoration** project as defined above, typically this is not where the need for the funds lies.

**501(c)(3) status** refers to the tax-exempt status held by incorporated non-profit organizations as defined by the Internal Revenue Service. This special status allows donations made to the organization to be tax deductible.<sup>9</sup> Additional benefits to **501(c)(3)** status include property tax exemptions and sales tax refunds. This special status also requires that the non-profit organization report its operations to the IRS annually. Revolving funds are typically classified as publicly supported charities, as opposed to private foundations—these distinctions are related to the sources of financial support for the revolving fund.<sup>10</sup>

As this thesis is ultimately about loans, there is terminology related to the structure and administration of a loan that must be understood. Loan payments are composed of a repayment of the **principal**, which is the total amount borrowed from the lender or the amount of money raised by a mortgage or other loan, as distinct from the interest paid on it.<sup>11</sup> **Interest** payments are calculated as a percentage of the principal, and defined as the cost of the use of money.<sup>12</sup> This percentage or **interest rate** is pre-determined by the lender during the loan application process. **Loan funds** typically have

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<sup>9</sup> Myrick Howard, *Buying Time for Heritage: How to Save an Endangered Historic Property* (Raleigh, NC: Historic Preservation Foundation of North Carolina, Inc., 2007), 77.

<sup>10</sup> Lyn Moriarty, Susan J. Lutzker Esq., and Colleen C. Derda, *Preservation Revolving Funds* (Washington DC: National Trust for Historic Preservation, 2006), 5.

<sup>11</sup> Jack P. Friedman, Jack C. Harris, J. Bruce Lindeman, *Barron's Dictionary of Real Estate Terms* (Hauppauge, NY: Barron's, 2008), 379.

<sup>12</sup> *Ibid.*, 251.

interest rates that are below market rate or below the prime rate, with some exceptions. The **loan term** refers to the time period within which the borrower is expected to repay their loan. The borrower makes a payment each month made up of both the interest and the repayment of a portion of the principal.<sup>13</sup> The majority of the programs mentioned in this thesis have a short loan term, because the organizations want to be repaid quickly so that the funds can revolve and they are able to make additional loans. However, the loan term does not dictate the monthly (or quarterly) principal payment; an **amortization schedule** is a schedule set forth by the lender that specifies the number of years over which the principal is to be repaid. *Barron's Dictionary of Real Estate Terms* defines it as follows: "A table that shows the periodic payment, interest and principal requirements, and unpaid loan balance for each period of the life of a loan."<sup>14</sup> It is not uncommon that the amortization schedule is longer than the loan term, and in this case, the borrower makes a **balloon payment** at the end of the loan term, which is the final payment on a loan, when that payment is greater than the preceding installment payments and pays the loan in full or a payment of the remainder of the principal.<sup>15</sup> By having an amortization schedule that is longer than the loan term, the borrower's monthly or quarterly payments of interest and principal over the term of the loan are typically smaller. However, in such cases the borrower must take into account that at the end of the loan term they will have a remaining principal balance that has to be repaid. This is often a significant amount of money for the borrower to make in a single payment, and as a result, many of the **loan**

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<sup>13</sup> Peter Linneman, *Real Estate Finance & Investments: Risks and Opportunities* (Philadelphia, PA: Linneman Associates, 2004), 133.

<sup>14</sup> Jack P. Friedman, Jack C. Harris, J. Bruce Lindeman, *Barron's Dictionary of Real Estate Terms* (Hauppauge, NY: Barron's, 2008), 26.

<sup>15</sup> *Ibid.*, 49.

**funds** will give the borrower an extension on the balloon payment. It is important to note that these extensions are not a common practice for banks. Since the ultimate goal of the operation of **loan funds** is preservation, the organizations are willing and able to adjust their financial goals in service of their preservation goals.

A **secured** loan is one in which the lender is “secured in their payment positions by recourse to the assets of the property.”<sup>16</sup> This means that if the borrower defaults in repayment, the lender has the ability to foreclose on the property for which they gave the loan. Although many of the organizations that operate **loan funds** use secured loans, a majority of the organizations occupy a **second position** behind the mortgage lender. This means that if the borrower is defaulting on both their mortgage payments and their rehabilitation loan payment, the mortgage lender has the ability to foreclose first, leaving the revolving loan organization with whatever is left. Typically these loans are **non-recourse**, which means that in the case of a borrower defaulting on their loan, the organizations can foreclose on the property only, and do not have access or jurisdiction over any other assets belonging to the borrower.

In addition to secured loans to protect their financial investment, many of the organizations that operate **loan funds** use **easements** or **deed covenants** to protect their preservation investment. An easement is a stipulation recorded in the land records that remains in place for a specified period, whether or not the property changes hands.<sup>17</sup> Easements can be recorded in perpetuity, or for a certain number of years—the latter

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<sup>16</sup> Peter Linneman, *Real Estate Finance & Investments: Risks and Opportunities* (Philadelphia, PA: Linneman Associates, 2004), 133.

<sup>17</sup> Lyn Moriarty, Susan J. Lutzker Esq., and Colleen C. Derda, *Preservation Revolving Funds* (Washington DC: National Trust for Historic Preservation, 2006), 14.

sometimes referred to as a “term easement.” A preservation easement usually protects all the exterior architectural elements of a given property—interior easements are not as common. An easement prevents the alteration to the exterior (or sometimes the interior) of a given property, and will also require a certain amount of prescribed and regular maintenance on the part of the current property owner. An **easement holder**, such as a state historic preservation office or local preservation non-profit organization, enforces the easement. In the case of **loan funds**, the easement holder is the lending organization and the easement is a stipulation agreed upon in the loan agreement. Myrick Howard defines easements as

... a legal agreement between a property owner and a qualified preservation organization or public agency, in which the property owner promises to protect the property’s historic integrity without inappropriate alterations, additions, or demolition, and the organization or public agency is granted the right to enforce the covenants of the easement and to monitor the property.<sup>18</sup>

It is also important to note that by granting an easement in perpetuity, the donor of the easement is eligible for an income tax deduction. In addition, because the property is effectively restricted, the property value is affected. This is reflected in the presumption of lower property taxes, as well as the future value at sale. **Deed Covenants** are similar to easements in that they are attached to the deed of the property and regulate future additions, alterations and maintenance of a given property. Covenants can be perpetual, or they can be for a specific amount of time. *Barron’s Dictionary of Real Estate Terms* defines covenants as a promise written into deeds and other instruments agreeing to

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<sup>18</sup> Myrick Howard, *Buying Time for Heritage: How to Save an Endangered Historic Property* (Raleigh, NC: Historic Preservation Foundation of North Carolina, Inc., 2007), 89.

performance or non-performance of certain acts, or requiring or preventing certain uses of the property.<sup>19</sup>

Unless otherwise noted, the definitions listed above pertain throughout this thesis. However, as this is only a reference for the context in which these words are used within the thesis, for additional or more expansive definitions, the author advises consultation of the texts referenced.

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<sup>19</sup> Jack P. Friedman, Jack C. Harris, J. Bruce Lindeman, *Barron's Dictionary of Real Estate Terms* (Hauppauge, NY: Barron's, 2008), 117.

## Chapter Three: Literature Review

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Historic Preservation loan funds are not common. Acquisition funds are more readily used, wherein the money in the fund is used by the organization that controls it for the acquisition and rehabilitation of historic properties. A loan fund is a program in which the money is lent out, typically by an historic preservation non-profit organization or a state historic preservation office to individuals, business owners, non-profit organizations or municipalities for the rehabilitation and renovation of historic properties, to be paid back over a certain number of years with interest. Revolving funds are less likely to be loan funds than acquisition funds, and loan funds are given little publicity. This is exemplified by the interviews with representatives of organizations/SHPOs that operate loan funds. Many of the loan fund administrators described their programs as “unique” or “different from other revolving funds,” and were not able to identify other programs similar to their own. In addition, the National Trust for Historic Preservation and the 1776 Foundation have made attempts to bring together organizations with loan funds, and their inquiries into their member organizations have yielded very few results. It is therefore not surprising that very little has been written about loan funds.

### **Historic Preservation, Real Estate & Economics**

As mentioned previously, the focus of historic preservation has long ago shifted from its origins as a field primarily concerned with historic house museums, and has expanded into larger arenas such as downtown revitalization, real estate, and economic development. Although loan funds are an aspect of historic preservation in the economic vein, they have not been featured in much of the scholarship dedicated to preservation

economics. Rather, the writings on economics more often feature studies on development incentives such as tax credits, or focus on the important role that economics play in historic preservation.

In his book *The Economics of Historic Preservation: a Community Leader's Guide*, Donovan Rypkema of Place Economics puts together a list of reasons why economics is important to the practice of historic preservation. Although he does not reference them directly, much of the advice that he offers to community leaders is directly applicable to loan funds, "Preservation incentives make preservation happen. And preservation incentives represent a fiscally responsible investment of scarce public resources."<sup>20</sup> Unlike much of the scholarship that references revolving funds directly and specifically addresses non-profit organizations, Rypkema acknowledges the importance of public investment in historic buildings: "Public targeting of historic areas provides a comfort level for private investment."<sup>21</sup> Even though Rypkema makes statements such as these throughout the book, that relate directly to many loan funds, they are not a tool and/or incentive featured in his guide. While other incentives are recognized as examples, loan funds are not. Even so, much of the focus of the different loan programs echoes the message throughout the book: "Rehabilitation in neighborhoods spurs additional rehabilitation."<sup>22</sup>

The National Trust for Historic Preservation, through its publishing arm, Preservation Press, publishes books and pamphlets intended to aide and educate

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<sup>20</sup> Donovan Rypkema. *The Economics of Historic Preservation: a Community Leader's Guide* (Washington, DC: The National Trust for Historic Preservation, 1994), 32.

<sup>21</sup> *Ibid.*, 40.

<sup>22</sup> *Ibid.*, 68.

preservationists, such as the Donovan Rypkema book cited above. One such publication, entitled *The Economic Benefits of Preserving Old Buildings*, features an article by Weiming Lu of the Dallas Department of Urban Planning, “Public Commitment and Private Investment in Preservation”. In the article, Lu outlines ways in which the public sector can encourage private investment in historic preservation. He references the use of different tactics that can be used, including but not limited to legislation, tax relief, zoning, and education. Most interesting perhaps is his observation that the preservation movement is “elite-oriented” and that preservationists must “broaden their bases of support” and seek support from “the local chamber of commerce and from bankers, to make them aware of the great potential for job creation, business expansion and investment in the preservation program.”<sup>23</sup> Based on the article’s publication date of 1976, it was written at the beginning of the shift in the preservation movement from museum stewardship toward economics. Interestingly, loan funds are seemingly one response to much of Lu’s commentary regarding a change in the field of preservation.

In this same 1976 National Trust volume, several articles address financing for preservation related activities. Although there were historic preservation loan funds in existence at the time, several of the articles reference different types of lending needed to accomplish preservation projects because of the absence of any historic preservation specific lending.

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<sup>23</sup> Weiming Lu, “Public Commitment and Private Investment in Preservation,” in *Economic Benefits of Preserving Old Buildings* (Washington DC: National Trust for Historic Preservation, 1976), 35.



For example, this is from the article entitled, “Government Assistance in Preservation Financing: The State Sector”:

Of the 27 states answering the questionnaire, not a single one has any type of state-guaranteed loan program...one can assume that no state has such a program...the field is obviously wide open, and some state or territory has the opportunity of being the first in the nation to approve this innovative approach to preservation financing.<sup>24</sup>

This article goes on to discuss tax incentives and their benefits to historic preservation. Other articles in the compilation, such as “Giving Lenders What they Need,” outline the specific items that will be needed to present to traditional lenders when one is attempting to acquire financing for an historic preservation project, in the absence of a state or private historic preservation loan program.

### **Revolving Funds**

Information about revolving funds is readily available through National Trust publications, and through pamphlets published by organizations that operate revolving funds. However, most of their published information is focused on acquisition funds for the purchase of historic properties or for the purchase of options on historic properties, as is the case at Preservation North Carolina. The National Trust for Historic Preservation not only devoted the Fall 1997 issue of the *Forum Journal* to the subject of acquisition funds, but also has put together several revolving fund panels at their conferences, most recently during the fall of 2010 in Austin, Texas.

Myrick Howard, Executive Director of Preservation North Carolina (PNC), is often a frequent participant on the National Trust’s revolving fund panels/publications.

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<sup>24</sup>Truett Latimer, “Government Assistance in Preservation Financing: the State Sector,” in *Economic Benefits of Preserving Old Buildings* (Washington DC: National Trust for Historic Preservation, 1976), 99.

His book, *Buying Time for Heritage*, provides a detailed explanation of the revolving fund at PNC, a very unique program, which to the author's knowledge is in a category all its own. Instead of acquiring properties, or loaning capital, the fund at PNC will take an option on a property while it secures a preservation-minded buyer. An option is defined as "the right to purchase or lease a property upon specified terms within a specified period."<sup>25</sup> In describing the program at PNC, Howard touches on the difference between an acquisition fund and a loan fund.

"Revolving fund" and revolving loan fund" have become synonymous terms, even though there are fundamental differences between an organization that buys and sells historic properties (an acquisition fund) and one that make loans to other preservationists to undertake preservation projects (a loan fund). The skill sets, sources of funding, and operating models are completely different.<sup>26</sup>

Although Howard does not directly contest the viability of an acquisition fund, or a loan fund, he advocates for the PNC model of taking options on properties as a successful way to utilize the least amount of money to leverage the biggest reward. By using options, PNC has only had to purchase and hold fewer than five percent of the properties that they have dealt with.<sup>27</sup> PNC will approach an owner and take an option on their property at very little cost for a predetermined amount of time. During that time, PNC markets the property, and looks for a buyer. When a buyer is found, PNC buys the property and resells it with easements attached to the purchaser with they found.<sup>28</sup> Howard argues that this process provides an ideal way for an owner to sell a problematic historic property,

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<sup>25</sup> Jack P. Friedman, Jack C. Harris, and J. Bruce Lindeman, *Barron's Dictionary of Real Estate Terms* (Hauppauge, NY: Barron's, 2008), 342.

<sup>26</sup> Myrick Howard, *Buying Time for Heritage: How to Save an Endangered Historic Property* (Chapel Hill, NC: University of North Carolina Press, 2007), 15.

<sup>27</sup> *Ibid.*, 22.

<sup>28</sup> *Ibid.*, 25.

while putting the least amount of financial strain on the non-profit organization. He also recognizes that an option is the best tool when a property is “sitting vacant and lacking attention,” and so when PNC takes an option on the property they “may be doing the owner a favor.”<sup>29</sup> As in the title of his book, “How to Save an Endangered Historic Property,” the focus of Howard’s writing is on properties that need saving, and so no attention is paid to those properties with owners who would like to continue to own their properties, but simply cannot afford the rehabilitation required.

The Fall 1997 issue of the National Trust’s *Forum Journal* was completely dedicated to historic preservation revolving funds. Although this issue of the journal did include some discussion of loan funds, it focused almost entirely on acquisition funds, and there were no comparisons made between different fund types. The “Editor’s Note,” entitled, “Eight Tips for a Successful Revolving Fund,” discusses general tips that are important for loan funds as well as acquisition funds, bringing in examples from different funds throughout the country. The article features tips like, “Strong Track Records Open Doors,” and “Patience is a Virtue...and often a requirement.”<sup>30</sup> Although the article references “specialized construction lending,” when referring to the work of Karen Ansis, the Fund Manager of the Historic Properties Fund at The New York Landmarks Conservancy, none of the suggestions for successful fund operation are specific to loan funds.

Another article in this issue of the *Forum Journal* echoes the need for a comparison between the different revolving fund loan programs. “Words from the Wise:

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<sup>29</sup> Ibid., 26.

<sup>30</sup> Susan J. Lutzker & Lyn Howell Moriarity, “Eight Tips for a Successful Revolving Fund,” *Forum Journal* 12 (2007): 6-9.

Revolving Fund Veterans Share their Experiences,” is a compilation of brief articles by the executive directors of different non-profit organizations that operate revolving funds. Arthur Ziegler Jr., President of the Pittsburgh History and Landmarks Foundation, an organization that continues to operate one of the nation’s finest loan funds, wrote one of the articles. In it, Ziegler recalls his experience operating a loan fund, and explains the focus of the loan fund in Pittsburgh, “Our emphasis is on lending to those groups that will restore buildings in historic neighborhoods for low-to-moderate income families and minority businesses. Yet the fund can be used for many different purposes.”<sup>31</sup> Each brief article serves as an explanation of the different programs in operation, and not an analysis of the strengths and weaknesses of the programs or ways in which they could be improved. Furthermore, of the seven segments of the article, only two segments mention loan funds, again indicating the need for more representation for the loan funds within the larger umbrella of revolving funds.

Another National Trust publication, *Preservation Revolving Funds*, provides a comprehensive study of acquisition funds. The first page of this booklet calls out the difference between a loan fund and a more traditional acquisition fund, and states that from then on when they are referring to a revolving fund, they mean an acquisition fund. Although the paragraph explains the basic differences between the two and what a loan fund is, the rest of the booklet makes no mention of loan funds or their operations. Included in the book is a step-by-step guide to setting up a preservation revolving fund, which highlights many of the considerations that need to be taken by prospective

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<sup>31</sup>“Words from the Wise: Revolving Fund Veterans Share their Experiences,” *Forum Journal* 12 (2007): 17.

executive directors and staff. Although many of these steps are relevant for establishing a loan fund, after the initial mention of loan funds on the first page, the reader is left wondering how those programs work, and what some of their economic benefits are.

The National Trust also regularly has had a revolving fund panel at its yearly conferences. Most recently, at the Fall 2010 conference in Austin, Texas the revolving fund panel consisted of five speakers, each of whom made presentations about the management and success of their respective revolving funds. Of the five presentations, only Clark Schoettle, of the Providence Revolving Fund, represented an organization with loan funds, whereas acquisition fund administrators made the other four presentations. Also, again, these presentations were focused on relating the specific experiences of the respective revolving fund administrator, and explanations of the specifics of their programs. Even amongst the organizations that operate traditional acquisition funds, there is no overarching comparison of the different approaches and methods that is offered through the panels at the National Trust Conferences or elsewhere. Moreover, since the primary resource for revolving fund information is through the National Trust and its member organizations, the information about the operation and capitalization of revolving funds is all focused on non-profit organizations—despite the fact that many of the loan funds are operated by State Historic Preservation Offices or municipalities, which renders much of the advice and suggestions about capitalization essentially useless for such government agencies.

It is thus clear that, scholarship directly devoted to loan funds is sparse. Although these types of programs may be mentioned within a larger revolving fund discussion, typically loan funds have not been the focus of an article or book. There is, however, one

prominent preservation professional who has written about loan programs. His name is Arthur Ziegler Jr. and he runs what is possibly the original historic preservation loan fund through the Pittsburgh History and Landmarks Foundation.

Ziegler's first publication was written in 1971. Entitled *Inner City Historic Preservation*, one chapter in the book addresses revolving funds, and in it Ziegler outlines what he considers to be five types of revolving funds—the Charleston Fund, the Savannah Fund, the Pittsburgh Fund, the Revolving Loan Fund and the Major Development Fund.<sup>32</sup> Of the five, the last three are based on typologies that Ziegler administered/administers at the Pittsburgh History and Landmarks Foundation. In this chapter, Ziegler does not compare the different types of funds; he simply explains the operation of each of the different funds. There is no discussion of success or even a comparison of the different funds' operations. At the end of the chapter, Ziegler concludes with a list of eight recommendations on how to operate a revolving fund and continue the revolving nature of the fund. These recommendations are general, and do not apply to the operation of a revolving fund of a specific type.

Ziegler's second book, *Revolving Funds*, was published in 1976. Though published thirty years ago, and only 107 pages long, this book remains the preeminent source for information regarding the establishment, operation, and maintenance of revolving funds for non-profit organizations. After explaining the importance of revolving funds to the historic preservation movement--"This is where the revolving fund comes in: properly applied, a revolving fund, even a small one, calls into play economic

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<sup>32</sup> Arthur Ziegler Jr., *Inner City Historic Preservation* (Pittsburgh, PA: Allegheny Press, 1971), 32-36.

and psychological forces that effect changes far exceeding normal real estate investments”<sup>33</sup>--Ziegler goes on to explain some real estate basics, discuss fundraising for a revolving fund, the importance of architectural survey, and the National Trust Historic Preservation Fund. He ends his explanation with case studies of the five types of funds mentioned above: Charleston, Savannah, Pittsburgh, a Development Fund, and a Loan Fund. For each case study, Ziegler provides a history and overview of the particular revolving fund and highlights some of its successes. The book does not offer a comparative analysis of the different typologies or the volume of success of the various programs. He concludes with a general endorsement of a revolving fund program, though, not any typology in particular:

The revolving fund is your equity that enables you to venture into the economic battlefield. The techniques of using such a fund are your weapons. Victory comes when you have revitalized the economic and human qualities of your historic district so well that it can work without you.<sup>34</sup>

## **Conclusion**

Although there is comprehensive information available on the relationship between historic preservation and real estate, as well as the importance of revolving funds for historic preservation, there is very little specific scholarship available on loan funds and their connection. Although some comparisons have been made between different types of revolving funds, loan funds are almost always absent from the literature. In addition, funds operated by government agencies or municipalities are never compared to those operated by non-profit organizations. By incorporating some of the information

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<sup>33</sup> Arthur Ziegler Jr. *Revolving Funds* (Pittsburgh, PA: Ober Park Associates Inc., 1975), 8.

<sup>34</sup> *Ibid.*, 107.

regarding the importance of the role of historic preservation in real estate, as well as some of the non-profit revolving fund case studies, the thesis will provide an analysis of an overlooked typology of revolving fund that has not yet been available, and will aid in the establishment and alteration of future loan funds.



## Chapter Four: Methodology

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The purpose of this thesis is to compile information on loan funds throughout the United States, distill and analyze that information and use it to make an educated recommendation on best practices associated with the establishment of future loan funds. The question being asked is not whether these programs are successful preservation tools overall, but rather what are the failures and successes of each of the individual programs, and how can these failures and successes inform the creation of future loan funds and perhaps provide helpful information about their colleagues for those loan funds currently in operation.

As Chapter Three describes, considerable research revealed that there is very little comprehensive information available on loan funds. Nearly all published material about revolving funds pertains to acquisition funds, not to loan funds. The information available on loan funds exists in the form of a few lectures at National Trust Conferences in years past, as well as in books written over three decades ago. The lack of information on loan funds not only provided a justification for this thesis, but also necessitated that this thesis would need to be strongly rooted in interviews with individuals at the organizations that operate loan funds.

In order to begin compiling a list of loan funds, the author contacted April Wood, Director of Easements and Technical Outreach at Historic Charleston Foundation, who supplied a list of the loan funds known to her. Using that list as a foundation, an exhaustive Internet search for additional loan funds was conducted. This search, along with the list supplied by Wood, information received both by word-of-mouth and by

referencing *The Brown Book: A Directory of Preservation Information*, yielded twenty two potential loan funds to contact. Although the thesis is focused on historic preservation, the initial list covered a wide range of revolving loan types, from simple façade rehabilitation programs to comprehensive rehabilitation programs that include fixtures and equipment as well. The list represents a range of organization types, including non-profits, municipalities, government organizations, and economic development corporations.

Following the compilation of this initial list, in order to gain a better understanding of revolving loan programs, a literature review was completed, which again highlighted the lack of available information on the topic of loan funds. In addition, other sources, such as *Real Estate Finance & Investments: Risks and Opportunities* by Peter Linneman, were consulted in order to better understand the terms and conditions of traditional bank construction loans, which are inherently similar to those of a loan fund.

The author then developed a questionnaire covering a broad range of issues related to loan funds, which was employed in interviews with administrators of the fifteen different loan funds that were identified for this thesis.<sup>35</sup> The questionnaire (Appendix A) was divided into several sections: establishment of the program, loan fund structure, project eligibility, building eligibility, and loan fund success. Through interviews of an hour or more, and subsequent correspondence and short phone calls, the author was able to acquire accurate and quantitative information on each of the loan funds, as well as

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<sup>35</sup> It is important to note that eighteen organizations were identified, however, the author was only able to be in contact with fifteen.

candid and anecdotal commentary from the interviewees. Both types of information were extremely helpful in forming comprehensive profiles of each of the loan funds.

Following the completion of the interviews, the author analyzed the information gathered. This includes understanding the by-laws of the organizations, the statutes under which the loan programs were established, how the organizations replenish the fund, and quantitative factors such as how many loans have been closed and how many are currently active. Finally, the author created a matrix to quantify the data, so as to be able to identify both the positive and negative features of the different programs in an effort to formulate a structure for and identify the features of a revolving loan program free of the deficiencies of many of the current programs.

It is important to note that the focus of this thesis is on process not product, and as a result, images of exemplary projects identified by the fifteen organizations were not included. Many of the organizations have photos available on their websites, the addresses of which can be found in Appendix E.

## Chapter Five: Background

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This thesis is about loan funds. However, without the establishment of the acquisition fund, the origination of the loan fund would never have come to pass. The loan fund grew out of the acquisition fund, taking the rehabilitation out of the hands of the fund operating organization and handing it over to the beneficiaries—community organizations and individuals. Although inherently similar, today many organizations operate an acquisition fund alongside a loan fund. The idea of a revolving fund for historic preservation is not a new one. It was born over fifty years ago in a city known not only for its historic architecture, but also for its early successes with historic preservation.

Charleston, South Carolina is a city long recognized for its historic preservation efforts. In 1931 the city enacted the country's first historic district zoning ordinance, which covered 150 acres of the Charleston peninsula.<sup>36</sup> Prior to 1931, the city had been home to a strong preservation organization, The Society for the Preservation of Old Dwellings, which had been founded in 1920 by the city's most ardent preservationist, Susan Pringle Frost. In April of 1947, Charleston gained an additional preservation organization, the Historic Charleston Foundation (HCF), which was an outgrowth of the now defunct Civic Services Committee. The charter for the Historic Charleston Foundation reads, "The purpose of the said proposed corporation is to preserve and protect buildings of historical and architectural interest and their surroundings, in and

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<sup>36</sup> Sidney Bland, *Preserving Charleston's Past, Shaping Its Future: The Life and Times of Susan Pringle Frost* (Columbia, SC: University of South Carolina Press, 1999) 86.

about the city of Charleston, South Carolina and for other eleemosynary purposes.”<sup>37</sup>

From its outset, the Historic Charleston Foundation was an organization dedicated to the re-use of historic buildings as part of the community, rather than the preservation of buildings as historic house museums, thus paving the way for the establishment of the first revolving fund for historic preservation. “The purpose of the corporation will not be to maintain buildings as museums save in exceptional cases, but seek when possible to utilize them as living units of the community.”<sup>38</sup>

In retrospect, this idea of building re-use, of preservation through restoration and rehabilitation seems well ahead of its time. In the 1940s and 1950s, preservation was seen as going hand in hand with the museum field, not with real estate development. Historic Charleston Foundation was the first to incorporate the new ways of thinking about historic preservation into the very fabric of their organization. The idea of purchasing and rehabilitating historic buildings was present even in the Foundation’s earliest documents, and was an integral part of the Foundation’s mission. The “Proposed Constitution for Historic Charleston, Inc. Second Draft,” dated January 6, 1947, reads, “The corporation shall be empowered to buy and sell real estate, to rent, to borrow funds on buildings to which it holds title...”<sup>39</sup>

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<sup>37</sup> “The State of South Carolina to The Historic Charleston Foundation Charter,” dated April 25, 1947, Lowcountry Digital Library, Civic Services Committee Papers, 62. Creation of Historic Charleston Foundation, Historic Charleston Foundation Charter, 1-2. Accessed March 7, 2011. <http://lowcountrydigital.library.cofc.edu/cdm4/document.php?CISOROOT=/CSC&CISOPTR=3665&REC=1>

<sup>38</sup> “Proposed Constitution for Historic Charleston, Inc. Second Draft,” dated January 6, 1947, Lowcountry Digital Library, Civic Services Committee Papers, 03. Meeting Minutes, Proposed Constitution for Historic Charleston Inc., 1. Accessed March 7, 2011. <http://lowcountrydigital.library.cofc.edu/cdm4/document.php?CISOROOT=/CSC&CISOPTR=2717&REC=2>

<sup>39</sup> Ibid.

Although the Historic Charleston Foundation was incorporated in 1947, it was not until ten years later, in 1957 that the organization established its acquisition fund for historic preservation. On February 6, 1957 the Board of Trustees of the Historic Charleston Foundation adopted a “Plan for Revolving Fund for Preservation of Buildings.” This plan contained six initial points to be taken into consideration, and the foundation for six different optional plans to employ in the operation of the fund.<sup>40</sup> Even though this initial plan did not pick a neighborhood for the revolving fund to be focused in, it laid the groundwork for the selection of the neighborhood that was ultimately chosen. The idea of focusing preservation/rehabilitation efforts on an entire neighborhood instead of a single building was a novel one. Prior to HCF’s establishment of its revolving fund, no other preservation organization in the United States had thought of preservation on such a large scale, or coupled it with the idea of community revitalization.

The plans of the Foundation are, after determining upon the most advantageous area within the city, to purchase and restore as many buildings as possible in that area. This will raise the standards of the entire section, will assure many private individuals of a stable neighborhood, and will encourage the investment of private capital.<sup>41</sup>

In the initial plan, the Foundation describes the return on an investment in a neighborhood as “twofold,” because once HCF made an investment in a neighborhood, private investors would be encouraged about the value of the neighborhood, which in turn

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<sup>40</sup> “Plan as Adopted at a Meeting of the Board of Trustees of Historic Charleston Foundation on February 6, 1957,” file 30-14-37, South Carolina Historical Society, Charleston, SC, 1.

<sup>41</sup> Historic Charleston Foundation Press Release, dated October 17, 1958, Historic Charleston Foundation Margareta Childs Archives, Ansonborough Collection, Folder: Advertising and Publicity, Historic Charleston Foundation, Charleston, SC.

created the potential for an entire neighborhood to be saved.<sup>42</sup> Historic Charleston Foundation supported its interest in neighborhood revitalization from a purely preservation standpoint with a premise stating that the revolving fund would not necessarily have to operate at a gain, because it was not in fact a business.<sup>43</sup> This approach to measuring the success of a revolving fund, which focuses more preservation accomplishments than financial gain, is a common thread amongst both acquisition funds and loan funds, and will be revisited throughout this thesis.

The optional plans for HCF's revolving fund mentioned above included: "Plan 1. Property Willed or Donated to the Foundation; Plan 2. Purchasing for Resale; Plan 3. Purchasing to Rent; Plan 4. Purchasing to Improve Neighborhood; Plan 5. The Granting of Loan Secured by Mortgages to Allow Individuals to Buy or Restore Houses or to Maintain Existing Property, When Such Mortgages Would Be Impossible to Secure Elsewhere; Plan 6. Life Tenancy Plan."<sup>44</sup> Within the plan for properties being purchased for resale, HCF laid the groundwork for its choice of purchasers through a careful screening and thorough investigation into their plans, as well as the foundation's plans to attach restrictive covenants to protect against "certain specified undesirable uses."<sup>45</sup> The restrictive covenants not only protected the exterior of the building. They also provided that "no alteration, no physical or structural change and no change in the color or

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<sup>42</sup> "Plan as Adopted at a Meeting of the Board of Trustees of Historic Charleston Foundation on February 6, 1957," file 30-14-37, South Carolina Historical Society, Charleston, SC, 1.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid., 1-2.

<sup>45</sup> Ibid., 2.

surfacing shall be made or changed or altered” without approval from HCF.<sup>46</sup> In addition, the restrictive covenants gave HCF the right of first refusal when one of the properties having a restrictive covenant attached to the deed came on the market. The restrictive covenants were not in perpetuity, however, and at the time of their creation were to be assigned to the property for a period of 75 years.<sup>47</sup>

One of the more interesting aspects of these plans was that of the “purchasing to improve neighborhood,” which really blurred the lines between historic preservation, real estate development, and urban renewal. “Both in purchasing for resale and purchasing to rent, adjacent properties of no value may be bought and buildings torn down, creating either gardens or perhaps well-designed parking lots.”<sup>48</sup> This statement brings to mind the urban renewal activity that was going on in the equally historic city of Philadelphia at the time, and truly signified the beginning of a new way of thinking about historic preservation, beyond that of the traditional house museum. However, the number one “premise” within the original document laid forth by the foundation was that “the plan should above all be flexible,” which gave the organization the ability to make alterations to the operation of the fund as they learned from their failures and successes.<sup>49</sup>

By October of 1958 the Historic Charleston Foundation had raised \$100,000 towards the fund, starting with a \$25,000 grant from an individual with a \$75,000 matching requirement. This additional \$75,000 was raised through private donations,

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<sup>46</sup> Mrs. Henry S. Edmonds, “Minutes of the Meeting of the Historic Charleston Foundation, July 21, 1959,” Historic Charleston Foundation, Margareta Childs Archives, Historic Charleston Foundation Institutional Records, Trustee Minutes, Box 1, Charleston, SC, 3.

<sup>47</sup> *Ibid.*, 4.

<sup>48</sup> “Plan as Adopted at a Meeting of the Board of Trustees of Historic Charleston Foundation on February 6, 1957,” file 30-14-37, South Carolina Historical Society, Charleston, SC.

<sup>49</sup> *Ibid.*



from both within and outside the city of Charleston. Most of the money raised was done so through the efforts of Historic Charleston Foundation and a brochure it published entitled “Charleston, South Carolina: An Historic City Worth Saving,” which featured photographs of some of the city’s most recognizable and historically significant buildings. The establishment of this fund allowed Historic Charleston Foundation to undertake the Ansonborough Rehabilitation Project, which was focused on saving a six-block neighborhood bordered by Market, Calhoun, East Bay and Meeting Streets. Before choosing Ansonborough, Historic Charleston Foundation took a few main points into consideration—the location of the neighborhood, the size of the houses within the neighborhood, and the fact that the area chosen was truly a neighborhood and not simply a collection of worthwhile buildings. Ansonborough fulfilled all of these preliminary requirements. The neighborhood is centrally located in downtown Charleston near the primary business district, providing shoppers for downtown businesses and taxes for the city. The houses within the neighborhood are all small or moderately sized properties appropriate for modern family living. The larger homes in the neighborhood had the ability to be broken up into family sized rental apartments. Moreover, and perhaps most importantly, it was a readily identifiable neighborhood.<sup>50</sup> These original criteria put forth by HCF in the late 1950s are still utilized today by other organizations that operate both acquisition funds and loan funds.

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<sup>50</sup> Peter J. McCahill, “Saving a Neighborhood Through Historic Preservation,” *Journal of Housing* 24 (1967): pg. # not applicable.

The Ansonborough rehabilitation project was extremely successful. In a meeting of the Historic Charleston Foundation in October of 1966, a mere seven years after the foundation of the fund, it was reported that

...the Foundation's original investment of \$100,000 in Ansonborough had resulted in investments estimated...to be between \$1,600,000 and \$2,000,000 in property improvements and purchases; that with its Revolving Fund the Foundation had been able to engender investments of its own of \$800,000 and that individuals had spent in the area at least another \$800,000 to reach this estimated total.<sup>51</sup>

Historic Charleston Foundation's Annual Report dated April 1965 stated that, through the combination of private investment and that made by HCF, a total of 52 properties providing 76 living units had been renovated.<sup>52</sup>

Although the Ansonborough project was the first and perhaps the most well known program that HCF undertook utilizing the revolving fund, it was certainly not the last. Over the years the revolving fund has been used in a number of different neighborhoods in the city, including but not limited to Elliotborough and Cannonborough. Both the acquisition funds and the loan funds in operation today owe a debt of gratitude to the trailblazers at the Historic Charleston Foundation who forged a role for historic preservation in the quest for community revitalization.

Acquisition funds, like the one in Charleston, have been very successful in saving historic structures across the country. For a preservation organization with the resources for acquisition and carrying costs, these programs have done a lot to save historic

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<sup>51</sup> Frances R. Edmunds, "Minutes of the Meeting of the Historic Charleston Foundation, October 11, 1966," Historic Charleston Foundation Margareta Childs Archives, Historic Charleston Foundation Institutional Records, Trustee Minutes, Box 1, Charleston, SC, 3.

<sup>52</sup> "Progress in Ansonborough: Highlights of the Annual Report of The Area Projects Committee to The Board of Trustees Historic Charleston Foundation, April 1965," Historic Charleston Foundation Margareta Childs Archives, Ansonborough Collection, Folder: Advertising and Publicity, Charleston, SC, no page number.

buildings and revitalize entire neighborhoods. However, there are those organizations that lack the size or funding to undertake projects such as these, which include not only the costs (mentioned above), but also the liabilities associated with owning property. Smaller organizations are able to facilitate neighborhood revitalization with a revolving loan program by loaning out smaller amounts of money to property owners to undertake their own rehabilitations. These monies are then paid back to the organization over a set loan term, and put back into the fund to be loaned again.

Unlike the fanfare with which Historic Charleston Foundation began its acquisition fund, loan funds quietly crept on to the preservation scene in the 1970s, and it is unclear which organization was in fact “the first.” In addition, as very little has been written on the subject of loan funds, as opposed to the more extensive literature on acquisition funds, there is no clear indicator as to which preservation organization deserves the credit for the first successful historic preservation rehabilitation loan. The author assumed that when interviewing organizations that operate loan funds, by asking them the question, “when was your loan fund established?” coupled with the question “was your loan fund modeled after a program in another city or state,” the author would be able to create a timeline which indicated the source of all loan funds. Unfortunately, because of the age of some of the revolving loan programs (a few are over thirty years old) institutional knowledge was lacking. And, when records were not available, the interviewees could not provide the author with the information requested. The answer to the question was found in the unlikeliest of places—Historic Charleston Foundation’s original revolving fund plan.

As noted above, the revolving fund at HCF is an acquisition fund. However, dating back to its earliest documents there is mention of providing loans to those wanting to rehabilitate historic buildings. “Plan 5” of the original revolving fund plan stated, “The granting of loans secured by mortgages to allow individuals to buy or restore houses or to maintain existing property, when such mortgages would be impossible to secure elsewhere.”<sup>53</sup> The plan goes on to say that the Foundation can make loans on property in those cases that “would not pass the stricter requirements of lending institutions.”<sup>54</sup> Furthermore the plan states that the Foundation would take on second mortgages for prospective purchasers, when those purchasers would “further the aim of the Foundation.”<sup>55</sup> The plan goes on to include references to those individuals who “represent good moral and financial risks.”<sup>56</sup>

Interestingly enough, this initial document of the revolving fund is not the first mention made of providing loans to individuals. In an even earlier document, the organization’s founding “Proposed Constitution of the Historic Charleston Foundation,” drawn up by members of the Civic Services Committee, the idea of providing loans is present on the first page.

The corporation shall be empowered to buy and sell real estate, to rent, to borrow funds on buildings to which it holds title, and to make loans on other properties which in the opinion of the Trustees are cultural assets. Funds received by the corporation shall be invested in real estate or mortgages at a rate of interest to be determined by the Trustees.<sup>57</sup>

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<sup>53</sup> “Plan as Adopted at a Meeting of the Board of Trustees of Historic Charleston Foundation on February 6, 1957,” file 30-14-37, South Carolina Historical Society, Charleston, SC, 2.

<sup>54</sup> *Ibid.*, 3.

<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

<sup>57</sup> “Proposed Constitution for Historic Charleston, Inc. Second Draft,” dated January 6, 1947, Lowcountry Digital Library, Civic Services Committee Papers, 03. Meeting Minutes, Proposed Constitution for Historic Charleston Inc., 1. Accessed March 7, 2011.

This document is dated 1947, ten years before the establishment of the revolving fund. In designing a foundation for the purpose of historic preservation in Charleston, the members of the Civic Services Committee felt that loaning money to individuals for the purposes of preservation was at the nucleus of the mission of this founding organization. In addition to loaning funds to individuals, only one additional non-preservation mission was mentioned in this document, and that was city planning. This is indicative of the importance that lending had as an idea for these founders of the Historic Charleston Foundation as early as 1947.

Although the idea of lending money plays a central role in both the founding documentation of the organization, as well as the original plan for the revolving fund, meeting minutes of the Foundation throughout the 1960s make no mention of loaning money to individuals in the Ansonborough rehabilitation project. However, meeting minutes dated July 11, 1961 state the following:

that the Meachams, through a misunderstanding, had finally been unsuccessful in obtaining a sufficient loan to purchase and restore 72 Anson Street; that the Finance Committee had met and decided that the Foundation should do everything in its power to further the Meacham's purchase of the property and that Mr. Cannon and Mr. Jenkins were investigating the matter at the present time.<sup>58</sup>

While this statement does not directly state that the Foundation plans on loaning money to the Meachams to purchase and restore 72 Anson Street, it does give a direct indication that HCF is willing to aid those preservation-minded individuals looking to purchase and

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<http://lowcountrydigital.library.cofc.edu/cdm4/document.php?CISOROOT=/CSC&CISOPTR=2717&REC=21-2>.

<sup>58</sup> Mrs. S. Henry Edmunds, "Minutes of the Meeting of the Historic Charleston Foundation, July 11, 1961," Historic Charleston Foundation Margareta Childs Archives, Historic Charleston Foundation Institutional Records, Trustee Minutes, Box 1, Charleston, SC, 1.

restore properties in Ansonborough. No further documentation of the outcome of any efforts to assist the Meachams in their purchase of 72 Anson Street could be found. The Meacham matter seems to have disappeared, shortly after which a viable purchase offer was made by someone else. Meeting minutes from the two meetings following the July 21 meeting make no mention of the Meachams, and in the minutes dated December 12, 1961, the Walkers have contracted the property for purchase.<sup>59</sup>

As it remains undocumented, there is no way to know why Historic Charleston Foundation never followed through with its intention of loaning funds to individuals for the purchase and rehabilitation of historic properties. Whether the situations that would require the Foundation to act as a lending organization never came up, or whether the Board of Trustees did not feel comfortable assuming that amount of risk is not clear. What is clear, however, is that Historic Charleston Foundation, apart from being the first preservation organization to operate a revolving fund or acquisition fund, was the first organization to see the opportunity for a preservation organization to assume the role of a bank or lending institution in certain important situations. Whether or not the loan fund was actually implemented by Historic Charleston Foundation in the early days of the Ansonborough project is not clear. However, its mention in the Foundation's early documents and the Foundation's operation of the acquisition fund most certainly paved the way for the establishment of the first loan funds in the early 1980s.

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<sup>59</sup> Mrs. S. Henry Edmunds, "Minutes of the Meeting of the Historic Charleston Foundation, December 12, 1961," Historic Charleston Foundation Margareta Childs Archives, Historic Charleston Foundation Institutional Records, Trustee Minutes, Box 1, 2.

## Chapter Six: Case Study Introduction & Non-profit Organization Case Studies

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There are two non-profit organizations who are widely acknowledged as two of the first loan funds: Pittsburgh History and Landmarks Foundation (PHLF) in Pittsburgh, Pennsylvania; and Providence Revolving Fund, which grew out of the Providence Preservation Society, in Providence, Rhode Island. In interviews with the leader of each of these organizations, Arthur P. Ziegler Jr. at PHLF and Clark Schoettle at Providence Revolving Fund, either neither wanted to accept the title of first loan fund, or it truly is not clear who started the first historic preservation loan fund. In later chapters, it becomes apparent that although these may have been the firsts on the east coast, there are loan funds in other parts of the country with equally long histories. Frankly, it is not important which was the true “first,” but rather what motivated the organizations to start a program that had not previously been used or publicized.

In Pittsburgh it was the neighborhoods. In an interview with Arthur P. Ziegler Jr., President and Founder of PHLF, he spoke of Pittsburgh as, “a larger city with strong neighborhoods with strong neighborhood identities.”<sup>60</sup> He indicated that at the time of the loan fund’s establishment, PHLF was already operating an acquisition fund, but as “community development organizations got stronger, PHLF wanted them to fund the rehabilitations themselves.”<sup>61</sup>

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<sup>60</sup> Arthur P. Ziegler Jr., interview with the author, February 7, 2011.

<sup>61</sup> Ibid.

Ziegler pointed out that PHLF still continues operating an acquisition fund along with its loan fund in the cases where there is no strong community group in the neighborhood for PHLF to loan to.

If we start in a neighborhood with no community structure then we still buy buildings and rehabilitate them. We always purchase vacant and abandon buildings and use them to try to get a kind of a beachhead going. Then we try to get people to create and strengthen the neighborhood organization, to do it themselves, because it's their neighborhood.<sup>62</sup>

When asked whether PHLF modeled their loan fund after another fund in operation, Ziegler said that they had not, and added, “We modeled it after our local circumstances. It is an effective way to broaden preservation work—more buildings, more volume, more work!”<sup>63</sup>

In Providence, Clark Schoettle, Executive Director of the Providence Revolving Fund, indicated that the Providence Preservation Society realized that banks were not giving loans to certain neighborhoods, many of them historic. “In the 1980s banks were definitely redlining neighborhoods. Providence Preservation Society established a 501(3) as a revolving fund to help revitalize low to moderate income neighborhoods that were also historic.”<sup>64</sup> Schoettle explained that the Providence Preservation Society had looked at Charleston and Savannah’s revolving funds as models, because originally they had thought that the fund would be more of an acquisition fund. However, they then realized that “people really weren’t able to get financing to get renovation done on historic buildings,” and so they used a two-pronged approach of both acquisition and loans.<sup>65</sup>

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<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> Clark Schoettle, interview with the author, November 30, 2010.

<sup>65</sup> Ibid.



Schoettle calls Providence Revolving Fund’s use of the both an acquisition fund and a loan fund together a “great strategy that has worked really well for them. By buying abandoned buildings and fixing them up and reselling, you are helping to overcome some of the lack of confidence that creates disinvestment.”<sup>66</sup> He adds that as a prospective homebuyer, if you know that the loan fund monies are available to help you fix up your property, and that the acquisition fund is buying the abandoned buildings down the street to fix up and sell, it changes the level of confidence in your potential investment.<sup>67</sup>

The loan fund is essentially like a mortgage or construction loan—with a loan term, interest rate, and amortization period—and it must be paid back. Like a bank, many of the organizations with revolving loan programs securitize their loans through the threat of foreclosure. To qualify for a loan, often times the property has to meet a specific set of criteria such as individual designation on a local or the national register or be located in a designated district. Also, many of the loan programs stipulate that the renovation must be in accordance with the Secretary of the Interior’s *Standards for Rehabilitation*. Additionally, some of the loans, such as those given by the Maryland Historical Trust, require that the property owner donate an historic easement to the organization administering the loan.

The majority of these loans are administered with interest rates that are below the prime interest rate, sometimes even as low as 50% of the prime interest rate. In most cases, the organization acts as the bank, using capital from the fund to administer the loan, with a staff person/people responsible for the management of these loans. In some

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<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

cases, the preservation organization is involved in a public/private partnership with a bank, in which the bank handles the loan administration and loan guarantee. Additionally there are programs, such as in Colorado, where the Colorado Housing and Finance Authority (CHFA) acts as the fiscal agent responsible for evaluating risk and closing and servicing the loans. Like the revolving fund, the mission of the revolving loan is to promote and aid in the restoration and rehabilitation of historic properties, and often in low to moderate-income communities.

The next chapters outline fifteen loan funds that have been identified by the author, and will discuss the history of each fund, its operation, statistical information, and opinions of the fund administrators about the successes of the program. The information is divided into two categories: funds operated by non-profit organizations (this chapter), and funds operated by municipalities or state historic preservation offices (Chapter 7).

## **6.1 Colorado Historical Foundation Revolving Loan Fund**

*Denver, Colorado*

### **Establishment of the Loan Fund**

Founded in 2003 as a subsidiary of the Colorado Historical Foundation (CHF), the goal of the CHF Revolving Loan fund (CHFRLF) is “to leverage resources available for preservation of Colorado’s historic buildings.”<sup>68</sup> The CHF Revolving Loan fund grew out of the state historical fund, which was created in 1990 as a result of the enabling of limited stakes gambling in three historic mining towns in Colorado. Gambling was legalized in these towns with the requirement that some of the tax revenues would go towards historic preservation.<sup>69</sup> A total of \$20 million in tax revenues were distributed annually as grants to public and non-profit entities throughout the state. Colorado Historical Foundation believed there was a need for a loan program for historic preservation, directed towards those who were otherwise ineligible for grants. This belief resulted in a \$3 million grant from The State Historical Fund to capitalize a loan program. As mentioned previously, CHF Revolving Loan Fund is a subsidiary of the Colorado Historical Foundation. The loan fund operates under a separate board of directors as well as a separate 501(c)(3) designation. In fact, the fund is really a three party partnership between the Colorado Housing & Finance Authority, the Colorado State Historical Fund, and CHF Revolving Loan Fund.

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<sup>68</sup> “CHF Revolving Loan Fund,” CHF Revolving Loan Fund, accessed March 21, 2011, <http://www.cohf.org/revolvingloanfund.html>.

<sup>69</sup> Lane Ittleson, interview with the author, November 12, 2010.

### **Building Eligibility**

The building is required to be located in a National, State, or local historic district, or listed on the national, state or local register. In addition, tax credit projects are eligible for loans from CHF Revolving Loan Fund.

### **Project Eligibility**

Individuals, non-profits, government organizations, and small businesses are eligible for loans from the CHF Revolving Loan Fund. According to Executive Director Lane Ittelson, the most common loan recipients are “for profit” businesses. Even though there is no restriction on loaning to homeowners, Ittelson believes that in Colorado, “Repayment in five years or less doesn’t really lend itself to individual homeowners.”<sup>70</sup> The ownership entity is not required to have owned the property for a certain amount of time, and CHF Revolving Loan Fund does not require that they maintain ownership for a certain amount of time after the loan is repaid. According to Ittelson, typically the building owners have not owned the property for long, which is fine because the fund is geared towards putting buildings back into service.<sup>71</sup> In order to prove that they have the ability to repay the loan, CHF Revolving Loan fund requires a list of items that vary from loan to loan. However, as most of the loans are given to small businesses, CHF Revolving Loan Fund requires its *pro forma*, which according to *CHF Revolving Loan Fund Procedures for Loan Application, Closing and Servicing*, should include,

Last (3) years of the borrower’s financial statements and tax returns...an interim financial statement no more than ninety (90) days old...Two years

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<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

of financial projections, which must include an Income Statement, Balance Sheet, and Cash Flow Statement for each year.<sup>72</sup>

All of the rehabilitation work is required to meet the Secretary of the Interior's *Standards for Rehabilitation*. Although CHF Revolving Loan Fund does not prequalify contractors, according to Ittelson, the organization "encourages that the contractors have the right experience."<sup>73</sup> The loan will cover any work specified under the SOI Standards, which includes the exterior, interiors and landscaping.

### **Loan Fund Structure**

CHF Revolving Loan Fund gets assistance managing the loan program from the Colorado State Historical Fund as well as the Colorado Housing and Finance Authority (CHFA). A "quasi state agency" which makes loans for housing and business finance, CHFA helps out CHF Revolving Loan Fund by doing the loan review and the loan analysis.<sup>74</sup> In doing this, CHFA informs CHF Revolving Loan Fund whether it is "a good application from a risk point of view."<sup>75</sup> CHFA also does all of the loan servicing, charging a loan origination fee, and receiving a percent of the interest paid to CHF Revolving Loan Fund; additionally they aid in some aspects of the loan closing.

Ideally, in order to secure their investment in a property, CHF Revolving Loan Fund will often have a deed of trust on the property; however, there have been instances where the organization has also requested a personal guarantee from the borrower. When the loan is approved, CHF Revolving Loan Fund employs a title company, which holds

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<sup>72</sup> "Procedures for Loan Application, Closing and Servicing," CHF Revolving Loan Fund, Spring 2003, 1.

<sup>73</sup> Lane Ittelson, interview with the author, November 12, 2010.

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

the loan money in escrow, from which it is dispersed through draw requests from the borrower's contractor.

Described as below market rate, CHF Revolving Loan Fund offers negotiable fixed interest rates determined by the loan review committee. Ittelson describes the terms of the loans as "very flexible," with varying loan terms below five years, and a 1.5% loan origination fee. As determined on a case-by-case basis, the loans can either be interest only with a balloon payment at the end of the loan term, or fully amortized. The maximum loan amount is generally around \$750,000, with the minimum set at about \$100,000, however, not unlike other aspects of the CHF Revolving Loan Fund's process, the loan amount is negotiable. Even so, Ittelson explains that \$100,000 is a good baseline loan amount because any less and it "costs more to process the loan than was made on interest," however, he adds, "it depends on how much the project is worth, how important; how important it is for preservation."<sup>76</sup>

### **Loan Fund Operation**

Up until recently CHF could only make loans that had gone through the State Historical Fund Review Process. This means that for applicants to CHF Revolving Loan Fund, this is their second preservation review process. The main avenue by which applicants applied to the CHF Revolving Loan Fund was after having already undergone the state historical fund grant review process and been directed to the loan program instead. As a result, the loan committee at CHF Revolving Loan fund focuses on financial aspects of review, such as recommendations on the interest rate and term, instead of design or preservation-related review. Although the CHF Revolving Loan

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<sup>76</sup> Ibid.

Fund offices handles paperwork throughout the loan process, Ittelson points out the organization hires an attorney to process all the legal paperwork.

### **Loan Fund Success**

With an original grant amount of \$3 million, which with interest has grown to \$3.2 million, Ittelson says that the size of the loan fund has yet to hinder the organization's ability to give out loans, even though there have been instances where the organization was approached for more money than they could give out. As he says, "Sometimes people want \$2 million!"<sup>77</sup>

CHF Revolving Loan Fund currently has five active loans, and in its eight-year history, has had a total of ten loans and eighteen applications. All but one of the loans has been repaid on time, and in that case CHF Revolving Loan Fund simply renegotiated the loan, switching it from an interest-only loan to a fully amortized loan. Since the program is operated statewide, there is no opportunity to see its effect on a specific neighborhood or have the ability to witness a "ripple effect." However, according to Ittelson they have been able to loan to some "really good, fun projects," such as the Molly Brown House and the Durango Railroad water tank.<sup>78</sup> Up until now, CHF Revolving Fund has not had to do any marketing for the program because all the applicants are passed on to the loan fund after already having undergone the state historical fund grant review process. Now that the organization is looking to expand the program, they are beginning to explore ways to market themselves. Although he does not categorize it as a threat, Ittelson worries about the lack of access to additional capital.

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<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

While the organization had planned to go back to their original source of funding, the state has now allocated that money elsewhere. Ittelson says, “The fund is not increasing in the way we hoped it would be, and is probably not going to grow in the way we had hoped.”<sup>79</sup> However, Ittelson’s definition of success is not focused on the revolving aspect of the fund, but rather on good preservation. He states, “Giving the money out and being successful in loaning out the funds to good projects.”<sup>80</sup>

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<sup>79</sup> Ibid.

<sup>80</sup> Ibid.



## **6.2 Historic Columbus Foundation**

*Columbus, Georgia*

### **Establishment of the Loan Fund**

Used as the inspiration for the loan fund at Historic Macon Foundation, Historic Columbus Foundation (HCF) was founded in 1966 with the mission to “Revitalize historic Columbus neighborhoods, educate the public about local and regional history, advocate the benefits that are derived from historic preservation, and preserve the historical, architectural and cultural character of Columbus and its environs.”<sup>81</sup> Since its founding the organization has been instrumental in the establishment of Columbus’ eleven historic districts. Established in 1968, Historic Columbus’ Revolving-Redevelopment Fund utilizes three types of programs: loans, acquisitions, and grants. Inspired by talks with the Historic Savannah Foundation and the Georgia Trust, the Façade Loan Program was originally funded with \$25,000 with seed money from the Revolving-Redevelopment Fund in 1997. The Façade Loan Program makes up 30% of the Revolving-Redevelopment Fund. According to Executive Director Elizabeth Barker, HCF wanted to “spur and entice private investment within the residential neighborhoods in addition to the investment of Historic Columbus.”<sup>82</sup>

### **Building Eligibility**

The property must be located within either a National Register or locally designated district. All of Columbus’ locally designated districts are also National Register districts. The Columbus Historic Industrial Riverfront District is the only

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<sup>81</sup> “Historic Columbus Foundation Mission Statement,” Historic Columbus Foundation, accessed March 21, 2011, <http://www.historiccolumbus.com/mission-statement.html>.

<sup>82</sup> Elizabeth Barker, interview with the author, February 10, 2011.

National Register district in Columbus that is not also a local district. Columbus' local preservation ordinance requires that the Board of Historic and Architectural Review approve work undertaken in local historic districts.

### **Project Eligibility**

The first eligibility requirement is that the applicant must be the homeowner, and the second is that property must be used for residential purposes only. In order to ensure that the applicant has the ability to repay the loan, Historic Columbus asks for references, employment information, as well as a credit check. The applicant is also required to become a member of the organization and reimburse the fee for the credit check. The property's location within a local or nationally designated district ensures that work done on the property is required to meet the Secretary of the Interior's *Standards for Rehabilitation*. Even so, the contractor does not have to have previous rehabilitation experience. They must be licensed and the applicants may not do the work themselves. The homeowner is not required to have owned the property for a specific amount of time, nor does Historic Columbus Foundation stipulate that they maintain ownership for a certain amount of time after the rehabilitation. Unlike other similar loan programs, HCF does not require that the homeowner donate an easement on the property, as stated by Executive Director Barker.

Because all of the properties are located within a local register district, they are already protected by the Board of Historical and Architectural Review (BHAR). If for whatever reason the property was not locally protected, we would consider asking for an easement, but it's not normal practice.<sup>83</sup>

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<sup>83</sup> Ibid.

The loan will cover any exterior work on the property, congruent with one of the continuing goals of the organization as “the motivation of individuals to join in the effort to buy, rehabilitate and utilize worthy properties which are a part of Columbus’ original character.” If the HCF funds are going towards a piece of a larger project, the organization makes an effort to ensure that the funds cover a specific aspect of the project, i.e. the roof.

### **Loan Fund Structure**

Historic Columbus manages the Façade Loan Program within the organization, without the assistance of a bank or other local agency. In order to secure its investment in a property, Historic Columbus maintains a security deed, which allows them to foreclose on the property. Historic Columbus’ Façade Loan program is interest free, and has a maximum loan amount of \$5,000. According to Barker, most borrowers structure their repayment on a monthly schedule; however, there have been a few who repaid in annual installments. When the application is approved the money is released in three stages: “1/3 to begin the rehabilitation work. 1/3 after approximately half of the work is completed upon inspection by HCF and the final 1/3 upon completion and a final inspection by HCF.”<sup>84</sup> The organization requires that the work be completed in three months from the time the loan is approved.

### **Loan Fund Operation**

Originally, one of the organization’s board members managed the program, but when he passed away, the staff took over. The staff members review the applications and

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<sup>84</sup> “Historic Columbus Foundation, Inc. Façade Loan Program,” Historic Columbus Foundation, accessed March 21, 2011, <http://www.historiccolumbus.com/facade-loans.html>.

approve them along with the help of a loan review committee. Staff members meet with the applicant at the closing, as well as checking on progress during the loan term. The office manager at Historic Columbus handles all of the billing and the disbursements. As Barker says, “we don’t want to make this a difficult process for people.”<sup>85</sup>

### **Loan Fund Success**

Currently HCF has \$119,000 in active loans, and this year the organization has made \$10,500 in new loans and been received a total of \$23,000 in repayment. So far the organization has not encountered a situation where the size of the fund has hindered its ability to give out loans, and as a result, they do not have a cap on the number of active loans at a given time. Since the establishment of the fund, Historic Columbus has given out 150 loans, and according to the Executive Director, they have been “burned” on fewer than ten of those 150. The results of those loans are most prevalent in the Original City Historic District, where as a result of the loan program and the residents’ vested interest, the whole neighborhood has become more engaged.<sup>86</sup> Although the effects of the loan program are recognizable, Barker feels that their marketing campaign could use some improvement, and sees its lack of strength as one of the threats to the program. The extent of HCF’s marketing is limited to promotional yard signs, the website, and the newsletter. Occasionally HCF will receive a phone call from someone who has seen a sign, however, both the website and the newsletter are limited to those familiar with the organization. According to Barker, HCF had good response from a campaign of mailbox

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<sup>85</sup> Elizabeth Barker, interview with the author, February 10, 2011.

<sup>86</sup> Ibid.

fliers that was done a few years ago, but since then HCF has performed no such outreach for the fund. As a result, the fund has experienced some years without much interest.

In these tough economic times Barker identifies “getting paid back” as a measure of success, but the economics aside, she defines success as “seeing the wonderful impact that it can have on the streets and in the neighborhoods.”<sup>87</sup> Based on her own admission about the quality of life in the Original City Historic District, this program is definitely successful, and fulfilling one of the organizations continuing goals: “Expanded economic progress through restoration and community revitalization.”<sup>88</sup>

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<sup>87</sup> Ibid.

<sup>88</sup> “A History of the Historic Columbus Foundation,” Historic Columbus Foundation, accessed March 21, 2011, <http://www.historiccolumbus.com/history.html>.

## **6.3 Historic Macon Foundation**

*Macon, Georgia*

### **Establishment of the Loan Fund**

Founded in 2003 with the merger of the Middle Georgia Historical Society and the Macon Heritage Foundation, the mission of the Historic Macon Foundation is “to advocate for Macon’s historical and architectural heritage, to facilitate preservation efforts in our community, and to educate, and inspire appreciation for our unique city.”<sup>89</sup> Originally begun in 1985 by the Macon Heritage Foundation, the idea for the fund was brought forward by board member, Jim Marshall, who was interested in preservation’s potential impact on low-income neighborhoods in Macon. An impoverished community, Marshall did not feel that historic preservation was in touch with the lives of the people who lived in Macon. Originally an acquisition fund, the organization rehabilitated buildings, and either retained management or sold them to landlords who would rent them out. According to current Historic Macon Executive Director Josh Rogers, this method nearly put the Macon Heritage Foundation out of business. They realized that homeownership was key to the success of the program, and that concentrating on one neighborhood at a time would be more successful and have a larger impact. So in 1995, Macon Heritage Foundation re-purposed their spot preservation revolving fund into an acquisition fund for neighborhood revitalization focused on home-ownership in a tight geographic area. To date, this fund has completed 140 full-equity rehabilitation and new-build infill projects in three adjacent neighborhoods. Historic Macon still operates this acquisition fund, which is valued at \$1.75 million. The façade loan program is a new

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<sup>89</sup> “History of Historic Macon Foundation,” Historic Macon Foundation, accessed March 21, 2011, <http://www.historicmacon.org/about-us/history>.

program that complements its acquisition fund. The current loan fund operated by Historic Macon is only a year old, was inspired by the loan program operated by Historic Columbus (GA), and established with a \$70,000 grant from the John S. and James L. Knight Foundation.

### **Building Eligibility**

The current loan fund focuses on Macon's College Hill neighborhood. Georgia does have a 30% income tax credit for historic preservation. Although none of the loan recipients have taken advantage of it, Rogers hopes that future applicants will combine these two incentives (since the time of the author's initial interview with Rogers, one loan recipient has applied for and received state tax credits by doing work that conformed to the SOI *Standards*). There are twelve National Register Districts in Macon, three of which require design review by the Planning and Zoning Commission. The College Hill neighborhood is one of these three districts. Historic Macon Foundation requires prospective borrowers to comply with the design review process and provide a Certificate of Appropriateness before work begins.

### **Project Eligibility**

The organization may loan to "any building owner," but so far there have only been homeowners and one landlord. These ownership entities are not required to have owned the property for a certain amount of time prior to submitting an application, nor does Historic Macon require that they maintain ownership for a certain amount of time after the loan is repaid. Executive Director Rogers adds, "They don't even have to own it when we make the loan as long as they have a contract to acquire it. However the loan

has to be paid off if/when the title is transferred.”<sup>90</sup> Although the program does not target a specific income bracket, in order to prove that they have the ability to repay the loan, Historic Macon requires the credit history, income, and deed from the applicant. Rogers admits that the Knight Foundation (the organization that granted the money for the loan fund) is not concerned with upholding the Secretary of the Interior’s *Standards for Rehabilitation*, and so Historic Macon does not require that the contractor have previous restoration/rehabilitation experience. Although the SOI *Standards* were not important to the Knight Foundation, Even though its mission is preservation, the purpose of the loan fund is really based on improving the appearance of the district, “Most perceptions about vitality, safety and comfort are created by aesthetics. Improving the appearance of College Hill is critical to attracting new students, tourists, residents and businesses.”<sup>91</sup> Consequently, the loan will cover design fees and anything that is visible from a public right of way i.e. the street, which includes lighting, fencing, landscaping, gardens, and even fountains.

### **Loan Fund Structure**

Historic Macon manages the loan fund in-house, without assistance from a bank or other local agency. They do their own underwriting, write checks, and receive payments. The organization only has three full time staff people and two part time staff people, and as a result, they spend the majority of their time managing the loan process and fundraising for the organization. When asked about who evaluates, closes and secures all the loans, Executive Director Rogers calls the process “Pretty simple,” but

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<sup>90</sup> Josh Rogers, interview with the author, November 10, 2010.

<sup>91</sup> “Knight Neighborhood Challenge Final Report Form,” (as filled out by Josh Rogers, Macon, Georgia, date unknown).



admits that to date they have only done twelve loans.<sup>92</sup> In order to secure their investment in a property, Historic Macon takes out a security deed, which puts Historic Macon in second position behind the mortgage lender, giving them the ability to take legal action and to foreclose if they stop receiving payments. Additionally, it is important to note that applicants are required to match the loan with a 20% equity contribution of their own. When the application is approved, the money is released in three stages, and each stage is coupled with a site visit from a staff member of Historic Macon.

Historic Macon's loan fund has a 2% fixed interest rate, which according to Rogers, is a number that he came up with on the premise that he wanted the "size of the fund to keep pace with inflation."<sup>93</sup> The loans amounts available are either \$5000 or \$10,000, and the loan is fully amortized over its five-year term. Rogers explains that because of the size of their staff, offering only two fixed-loan amounts streamlines the process and saves precious staff time.

### **Loan Fund Operation**

When an application is received, it is reviewed, and a site visit and interview are scheduled with the applicant. In addition, the staff looks at the estimates from the contractor for the proposed work to determine whether it seems reasonable. The application review also includes a credit check to verify the credit rating and income of the applicant. Once the staff has taken all these steps, they make a presentation to the Loan Review Committee. The Loan Review Committee is made up of trustees and

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<sup>92</sup> Josh Rogers, interview with the author, November 10, 2010.

<sup>93</sup> Ibid.

members at large with financial backgrounds, appointed by the president, who have the final word on loan approval.

### **Loan Fund Success**

Currently Historic Macon has twelve active loans, and so far they have been able to approve loans for all but one of the applications that they have received. To date, the size of the fund has not hindered the organization's ability to give out loans. According to Rogers, already the neighborhood looks much better, and despite their lack of funds for marketing, Historic Macon has already started receiving phone calls from homeowners in the area asking about the loan program.

Looking back, Rogers believes that some of the money from the Knight Foundation should have been allocated to marketing through printed yard signs, email blasts, website improvements, or mass mailings, because as it stands the organization relies heavily on word of mouth to promote the program. Although the loan fund is very young, there have already been exemplary projects, such as the complete rebuilding of a shotgun house, that have had a huge impact on the character of a street. As positive as this sounds, the fund is not without threats. Rogers worries that the rewards for operation of the fund are minimal for Historic Macon, and that during tough economic times one has to make hard choices about allocating staff resources—"the fund cannot be a top priority because it does not provide any operating support for the organization."<sup>94</sup> He adds, "The things we do at nonprofits have to be sustainable, this isn't sustainable because you have to do fundraising from other sources to make this work."<sup>95</sup> Even so,

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<sup>94</sup> Ibid.

<sup>95</sup> Ibid.

Rogers' definition of success is "visual impact, quality of work, longevity of work and whether loans stay in repayment," and in these respects, the loan fund at Historic Macon Foundation is undoubtedly successful.<sup>96</sup> And the organization's Executive Director agrees: "Historic Macon is accomplishing their mission in new ways, with tools to help existing homeowners, and that it is definitely worth doing."<sup>97</sup>

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<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

## **6.4 Indiana Landmarks**

*Indianapolis, Indiana*

### **Establishment of the Loan Fund**

Indiana Landmarks is the largest statewide non-profit preservation group in the United States with an endowment as high as \$50 million. Founded in 1960 by a group of citizens who were concerned about the loss of Indianapolis' historic buildings, today the organization boasts an Indianapolis office as well as eight regional offices located throughout Indiana. Their mission states, "Indiana Landmarks revitalizes communities, reconnects us to our heritage, and saves meaningful places."<sup>98</sup> The organization began an acquisition fund in 1974, when pharmaceutical magnet Eli Lilly granted \$75,000 to Indiana Landmarks to save a particular property in one of Indianapolis' historic neighborhoods. The money earned from the sale of that property is what began the acquisition fund. In the early/mid 1980s, a group from the Woodruff Place Historic District approached Indiana Landmarks that wanted to purchase a multi-family property that was on the market in the neighborhood. The goal of the purchase was to restore the building to its original status as a single-family dwelling. According to Mark Dollase, Indiana Landmarks' Vice President of Preservation Services and the Director of the Central Regional Office, this scenario "presented the [organization] with the opportunity to have another tool,"<sup>99</sup> and thus the loan fund was born. The history of the establishment of the loan fund is not clear, and there is no record of where the original funds for the program came from. Today, Indiana Landmarks' two separate funds operate under the

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<sup>98</sup> "Our Mission," Indiana Landmarks, accessed March 22, 2011, <http://www.indianalandmarks.org/AboutUs/Pages/OurMission.aspx>.

<sup>99</sup> Mark Dollase, interview with the author, February 24, 2011.

banner of the Endangered Places Program: one as the Endangered Places Acquisition Fund and the other as Endangered Places Loans.

### **Building Eligibility**

Indiana Landmarks prefers that the property be listed on the national or local register or is within a national or local register district, but it is not required. Eligibility, however, is required. As stated by Dollase, “If it’s not even eligible then I would question whether it was a wise use of our funds.”<sup>100</sup>

### **Project Eligibility**

Endangered Places Loans are available to non-profit organizations and units of local government. According to Dollase, non-profit organizations make up the majority of the loans given out by Indiana Landmarks. The organization does not loan to individuals because, “Individuals are a lot more risky, unless you have a really good sense of someone’s financial capacity to pay back the organization’s loan.”<sup>101</sup> The non-profit organizations or units of local government are not required to have owned the property for a certain amount of time, nor does Indiana Landmarks require that they maintain ownership for a certain amount of time after the rehabilitation is completed. Vice President Dollase adds, “Oftentimes when we’re encouraging local organizations to act on an endangered building in their community they need to know that there is a source of revenue there for them to move on. It wouldn’t be effective if they had to wait.”<sup>102</sup> In order to prove that they have the ability to repay the loan, Indiana Landmarks requires that they submit their organization’s financial statements, which include their

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<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> Ibid.

current bank balance. The focus of the review of the financials is risk assessment: whether the risk is low enough for Indiana Landmarks to assume, and whether the applicant has capital to rely on. Over the years, Indiana Landmarks has developed relationships with their borrowers, many of who are repeat customers that Indiana Landmarks has grown to trust.

The funds available from Indiana Landmarks can be used for both the acquisition and the rehabilitation of an historic building, and the organization prefers when the two are combined. According to Dollase, they prefer it because “it ensures greater value in the property in terms of resale for the non-profit organization.”<sup>103</sup> Despite the lack of a national or local register requirement, Indiana Landmarks does require that the work done on the property adhere to the Secretary of the Interior’s *Standards for Rehabilitation*. As a result, the organization encourages borrowers to seek out a contractor with previous rehabilitation or restoration experience. The loan dollars from Indiana Landmarks can be used for both interior and exterior work. The organization does require that the borrower give Indiana Landmarks a protective covenant on the property. In doing so Indiana Landmarks is on the title of the property. The loan is an encumbrance to the deed on the property so that when Indiana Landmarks makes a loan, the name of the organization becomes a part of the title to the property and enables them to record that restriction on the deed.

### **Loan Fund Structure**

Indiana Landmarks manages the loan fund in house, without assistance from a bank or other local agency. Vice President Dollase co-manages the loan fund with the

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<sup>103</sup> Ibid.

organization's Chief Financial Officer. Because of the nature of the organization and its local offices, the regional directors throughout the state will discuss prospective projects with Dollase. When the application forms are received, the regional directors pass it along to Dollase. Dollase then discusses the application and the application is reviewed by the loan committee and given to the Board of Directors for final approval. Although in order to secure their investment, Indiana Landmarks has the ability to foreclose on the property, the organization prefers to give extensions and attempts to help the borrowers who are typically their local partners.

The Indiana Landmarks loan has a staggered interest rate structure. For the first 6 months, the loan has 0% interest; in months 7-18, the loan has 4% interest, and for months 19-36 the loan is at the prime rate. The loan term is three years with a balloon payment at the end of three years. The maximum loan amount is \$75,000, however, Dollase adds, "We do exceed that if we see that there is a particular important property or situation that is going to need \$100,000 or \$150,000."<sup>104</sup> There is no minimum amount that can be loaned to a given organization, and Indiana Landmarks encourages smaller loan amounts for basic stabilization measures. Because of the protective covenant requirement with each loan, even a loan of \$5,000 can have an impact on preservation.

### **Loan Fund Success**

At the time of the interview, Indiana Landmarks had 17 active loans, and a cash balance of \$150,000 in the fund. It is important to note that both the loans and the acquisition program come out of the same pool of money; 55% of which is attributable to the loan program. Even though the balance of the fund can hinder Indiana Landmark's

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<sup>104</sup> Ibid.

ability to give out loans, in lieu of a loan Indiana Landmarks will give out loan guarantees to financial institutions. In comparison to other statewide non-profit organizations surveyed for this thesis, Indiana Landmarks is unique, in that it has a headquarters in Indianapolis and eight regional offices throughout the state. This strong presence within the state of Indiana means that they have the ability to market to a wider range of potential borrowers. Using many of the same marketing tactics as other loan fund operating organizations, such as word of mouth, signage, and information on the website, Indiana Landmarks is able to reach eight times the number of organizations. In addition, Indiana Landmarks has sixty-two local affiliate organizations, and their affiliate organizations benefit from this relationship through access to more flexible loan terms. In the past the loan fund has had values of up to \$2.5 million, and today the fund has a value of \$1.4 million. As a result, the organization is kicking off a capital campaign through which Indiana Landmarks is hoping to raise \$22 million for the organization, which includes \$1 million for each of the funds.

Indiana Landmarks made their first loan in 1978, and since then the organization has made a total of 238 loans. Today, the biggest threat to the fund is capitalization, as stated by Dollase,

When you have eight other staff people out there in communities talking about this as a tool to revitalize a building, they all create demand for the program, so when you don't have a lot of money in the fund to meet the demand, that is probably the biggest challenge.<sup>105</sup>

Although Dollase admits that he measures success through the traditional means of saving buildings or revitalizing a neighborhood, Indiana Landmarks sees its success

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<sup>105</sup> Ibid.



through its partnerships with other organizations with similar missions—“how our investments can be made in the right locations so that they leverage other groups’ investments...”<sup>106</sup>

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<sup>106</sup> Ibid.

## **6.5 Historic Properties Fund Inc., New York Landmarks Conservancy** *New York, NY*

### **Establishment of the Loan Fund**

Founded in 1973 by a group of preservation-minded New Yorkers, the mission of The New York Landmarks Conservancy is:

The New York Landmarks Conservancy is dedicated to preserving, revitalizing, and reusing New York's architecturally significant buildings. Through pragmatic leadership, financial and technical assistance, advocacy, and public education, the Conservancy ensures that New York's historically and culturally significant buildings, streetscapes, and neighborhoods continue to contribute to New York's economy, tourism, and quality of life.<sup>107</sup>

The New York Landmarks Conservancy was founded to help New York City property owners cope with the realities of New York City's Landmarks Law, which was enacted in 1965 following the devastating demolition of New York's Pennsylvania Station. In the mid 1970s, the New York Landmarks Conservancy was a young organization given the task of aiding the U.S. General Services Administration in finding a re-use for the Federal Archive Building in Greenwich Village. Utilizing a provision of federal law which allowed for the transfer of a federally owned historic property "to a local unit of government for reservation and redevelopment at no cost, provided net revenues from the project were used for public park or historic preservation purposes," the property was transferred to a holding entity of the New York State Urban Development Corporation.<sup>108</sup>

The Conservancy was instrumental in the selection of a developer, who in turn executed a

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<sup>107</sup> The New York Landmarks Conservancy, "Mission Statement," accessed, March 22, 2011, [http://www.nylandmarks.org/about\\_us/mission\\_statement/](http://www.nylandmarks.org/about_us/mission_statement/).

<sup>108</sup> Karen Ansis, "New York City Historic Properties Fund," The New York Landmarks Conservancy, January 24, 2011, page not applicable.

99-year lease with the NYS Urban Development Corporation. The developer was then required to capitalize a loan fund for historic preservation on a price per unit basis, percentage of gross commercial rents for 75 years, and a percentage of refinancing costs to be paid into the fund.

In 1982, the Historic Properties Fund Inc. was thus born, and by 1983 had made its first loan. The Historic Properties Fund Inc. is its own 501(c)(3) non-profit organization, administered by the New York Landmarks Conservancy, and offers loans to historic property owners in mostly low to moderate-income communities throughout New York City's five boroughs.

### **Building Eligibility**

The Historic Properties Fund requires that the property be located within a national, state or local historic district, or to be eligible for listing in the State or National Registers of Historic Places. Occasionally the staff of the Historic Properties Fund identifies neighborhoods that are not designated historic districts that have historic buildings, which would benefit from the loan program. The Fund staff will undertake a survey of the historic resources in that area and work with the New York State Historic Preservation Office to obtain a Determination of Eligibility. Although Hahn refers to it as “practice, not policy,” the organization focuses their outreach into low to moderate-income neighborhoods in New York City.<sup>109</sup> The organization has done the most loans in Manhattan and Brooklyn, but according to Hahn they have “worked all over the place.”<sup>110</sup> Hahn estimates that more than half the projects are done in Brooklyn, and

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<sup>109</sup> Ashley Hahn, interview with the author, November 11, 2010.

<sup>110</sup> Ibid.

many in Upper Manhattan.

### **Project Eligibility**

The loan dollars are available to individual homeowners, non-profit organizations, and co-ops.<sup>111</sup> According to Ashley Hahn, former Program Coordinator at the Historic Properties Fund, although the majority of the loans are given out to individual homeowners, non-profit religious institutions are also common recipients.<sup>112</sup> As of September 2010, 65% of the loans were to owner-occupied buildings, 21% were to religious/non-profit institutions, 7% were to small investor properties, and 6% were to co-ops. Ownership entities are not required to have owned the property for a certain amount of time. In addition, the owner does not have to maintain ownership for a certain amount of time after the rehabilitation, as there is no prepayment penalty on the loan. In order to prove that they have the ability to repay the loan the Historic Properties Fund requires the applicant's income tax return; recent mortgage statement; and a listing of income, assets, and liabilities. The Historic Properties Fund does have an insurance requirement for before and after the construction period, and requires that the applicant have proof of insurance, and that their contractors have insurance. Depending on the level of a property's designation, rehabilitation work is either required to meet the Secretary of the Interiors *Standards for Rehabilitation*, or the guidelines of New York's Landmarks Preservation Commission, which can be stricter than the SOI *Standards*. Hahn adds, "The public purpose is to fund good preservation work."<sup>113</sup> Although the focus of the

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<sup>111</sup> A co-op, or corporation of shareholders, is a group of people who maintain joint ownership of a building that they inhabit. This type of partnership is particularly common in New York City.

<sup>112</sup> Ashley Hahn, interview with the author, November 11, 2010.

<sup>113</sup> Ibid.

loan is exterior restoration, interior structural work is negotiable.

### **Loan Fund Structure**

The New York City Historic Properties Fund manages the loan fund in-house, and the loans have a fixed interest rate, which is set on a case-by-case basis by the Board of Directors. The lowest interest rate offered is 3%. Individual homeowners typically receive 5%, though depending on underlying financing and the structure of the loan, and some co-ops have been given 7%.<sup>114</sup> Loans are typically fully amortized over the course of the term, which is usually kept between five and ten years, though in some cases has been stretched to 15 years. Hahn said, “We want to make the deals make sense to borrowers, their situation, and their financing,” in addition to making sense for the Fund.<sup>115</sup> The minimum loan amount is \$20,000 and the maximum loan amount is \$300,000. The average loan size for individual homeowners is often between \$80,000-\$100,000, and for a larger building the loan amount is typically \$300,000. As stated by Hahn, for property owners “it doesn’t pay to take on small loans because there is a basic level of cost built in, for example, closing costs,” thus leaving less funding for the work.<sup>116</sup>

### **Loan Fund Operation**

The Historic Properties Fund employs three staff members for the administration of the fund, which includes a fund manager and two program coordinators, whose salaries are largely paid from the Fund. Prior to receiving an application, the program coordinators will meet with the potential borrowers and discuss the proposed work. Once

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<sup>114</sup> Ibid.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

an application is received, one of the three staff members will be allocated that specific project, and will become the Historic Properties Fund's point of contact for the individual, non-profit organization or co-op who is taking out the loan. The staff member will do a loan analysis and complete a write up that explains the project, the building, and the property owners. Based on this analysis, the Board of Directors will vote on the potential project, and will set the final loan amount, interest rate, and term. According to Hahn, "We want the project to have a preservation purpose and leave the building better off than where it was when we started."<sup>117</sup> Once the Board approves the loan, a commitment letter is written to the borrower explaining the terms and conditions. The Conservancy pays a lawyer to advise and be present at the loan closing, as well as encouraging the borrower to hire a lawyer. After the loan is closed, Fund staff helps the property owner hire a project architect. The Fund will invite different preservation architects to interview with the property owners and discuss the work. The architects will submit proposals for the project, and examples of similar projects they have completed for the owner to visit. The staff will also help the borrower's review different architects' proposals for the project. After the architect prepares construction documents, the Fund staff and the architect will invite preservation contractors to bid on the project. According to Hahn, the Fund plays "sort of a gate keeper role," by helping property owners hire appropriate professionals for their restoration project.

### **Loan Fund Success**

At the Fund's inception in 1982, the developers capitalized the fund with a \$7 million contribution. As of the author's November 2010 conversation with Hahn, the

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<sup>117</sup> Ibid.

projected balance of the Historic Properties fund was in excess of \$8.5 million. Unsurprisingly, over the years, the size of the fund has not limited the organization's ability to give out loans. However, in the current economy the demand for loans is down. As of November 2010 there had been fewer applicants than in previous years; in past years the Conservancy had closed between eighteen and twenty loans in a year, and as of November 2010 they had closed six. Over the course of its almost thirty year history, the Historic Properties Fund Inc. has closed over 220 loans. The loan program has visibly affected the character of neighborhoods like Harlem, Fort Greene, and Clinton Hill. Unlike some of the other loan fund operating organizations, the Fund does mass mailings in excess of 12,000 pieces of mail annually to market the program to historic districts all over New York City. In addition, staff members attend community meetings, and neighborhood associations often organize information sessions with presentations from the Fund staff. Signs are put up at project sites, which help to promote the loan program.

Recognizing all this, it is hard to imagine that there are any threats to the Historic Properties Fund, and according to Hahn, "there are no direct threats." Even so, the current economy has not gone unnoticed at the Fund. The Board of Directors has been more conservative with loan approvals of late. However, Hahn says that the organization is thinking of ways to deal with the current economic climate, such as reaching out to neighborhoods that are more economically stable, increasing advertising, and working with borrowers currently in repayment to keep them on track. When asked about her definition of success, Hahn's first response was "keeping the fund revolving."<sup>118</sup> However, as with other loan fund operating organizations, the focus of her response was

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<sup>118</sup> Ibid.

not on financials, but rather the impact on preservation. Whether noticing what a project like this can do for a single block, working in a new neighborhood, or seeing the results of quality work, the definition of success is clearly preservation driven.



## **6.6 Pittsburgh History and Landmarks Foundation**

*Pittsburgh, Pennsylvania*

### **Establishment of the Loan Fund**

Founded in 1964 by Arthur Ziegler Jr., the mission of the Pittsburgh History and Landmarks Foundation (PHLF) is to

Identify and save historically significant places; revitalize historic neighborhoods, towns, and urban areas; preserve historic farms and historic-designated landscapes; and educate people about the Pittsburgh region's rich architectural heritage.<sup>119</sup>

Established in 1985, the loan fund had originally operated solely as an acquisitions fund. According to Arthur Ziegler Jr., President of PHLF, once Pittsburgh's local community organizations became stronger, PHLF felt that there was an opportunity for the groups to perform their own rehabilitations. At that time, many of Pittsburgh's historic neighborhoods were very depressed, and there were very few banks willing to take a lending risk on those neighborhoods.

### **Building Eligibility**

LCCC does not require that the property be located within a registered historic district, but rather tries to focus the program in low to moderate income neighborhoods in Pittsburgh.

### **Project Eligibility**

Today Pittsburgh History and Landmarks is one of the most influential and effective preservation non-profit organizations in the country, with twenty full time staff members and several subsidiary organizations. One of these subsidiaries is the

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<sup>119</sup> "Mission and Brief History: Pittsburgh History and Landmarks Foundation," Pittsburgh History and Landmarks Foundation, accessed March 22, 2011, <http://www.phlf.org/a-brief-history-of-pittsburgh-history-landmarks-foundation/>.

Landmarks Community Capital Corporation (LCCC), which operates the Preservation Loan Fund. Originally capitalized through grants, with an original fund balance of between \$3 and \$4 million, the applicant must be a non-profit organization, a community development corporation or a government entity, and according to Michael Sriprasert, President of LCCC and Director of Real Estate Development for PHLF, non-profit organizations are the most common applicants. The loan funds are available for acquisition and rehabilitation, and as a result the organization need not have owned the property for a certain amount of time prior to applying for a loan, nor do they have to maintain ownership for a certain amount of time after rehabilitation. In order to prove that they have the ability to repay the loan, PHLF/LCCC considers a balance between credit, collateral, and cash. According to Sriprasert, “We have to understand fully that we are going to get paid back and we want to make sure there is a good take out situation. Sometimes we are willing to take a bigger risk if the building is threatened.”<sup>120</sup> Sriprasert says that applicants are evenly split between acquisition and rehabilitation, although he adds that the two often go “hand in hand.”<sup>121</sup> Although LCCC/PHLF does not require that the rehabilitation work meet the Secretary of the Interior’s *Standards for Rehabilitation*, they do require that they have input into some of the building designs. LCCC prefers that the contractor chosen by the applicant has previous restoration/rehabilitation experience. Calling the organization “mission oriented,” Sriprasert says that the loan is available for work on both the exterior and the interior of a building but, they “like façade work because its important to have the building look good

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<sup>120</sup> Michael Sriprasert, interview with the author, January 20, 2011.

<sup>121</sup> Ibid.

from the outside,” adding that LCCC “tries to advocate for as much historic restoration as possible.”<sup>122</sup> Elements such as utilities are not high on LCCC’s list, as there are other lenders who can provide funds for that kind of work.

### **Loan Fund Structure**

Pittsburgh History and Landmarks and Landmarks Community Capital Corporation jointly manage the loan fund in house, without assistance from a bank or other local agency, and they evaluate, close and secure all the loans without assistance. As mentioned earlier, Pittsburgh History and Landmarks has twenty full time staff people, and five part time staff people, and there is a team of staff people who work on the management of the loan process. LCCC is applying to the U.S. Treasury to become a registered Community Development Financial Institution (CDFI), which designates an organization as a specific type of non-profit lender. According to Sriprasert, the advantage of this registration is that CDFIs are regulated, and more financial institutions understand the CDFI model, which would allow the organization to apply for funds from financial institutions, as well as be eligible for federal dollars. Once the transition is complete, LCCC will officially become a company that according to Sriprasert will “lend and raise more money and do more deals.”<sup>123</sup>

Currently the loan fund at Pittsburgh History and Landmarks does not have a pre-determined interest rate. Typically it is about 1% above the prime rate, however, it “depends on the deal.”<sup>124</sup> The interest rate can also be fixed or adjustable, although the organization would prefer a fixed interest rate in order to keep it simple. The loan term is

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<sup>122</sup> Ibid.

<sup>123</sup> Ibid.

<sup>124</sup> Ibid.

36 months, and includes 5% interest-only payments during the term, with a balloon payment at the end. The maximum loan amount is \$1.2 million and so far the smallest loan request received by PHLF/LCCC is \$50,000. Currently the loan fund has a balance of between \$10 million and \$12 million dollars, although according to Sriprasert, they are “hoping to grow that significantly.”<sup>125</sup> So far the size of the loan fund has not hindered PHLF’s ability to give out loans, but they are looking for more capital going forward: “There is a short term because we want to get the money back in quickly to lend it out again. As we try and do more deals we will need more capital.”<sup>126</sup> Although Sriprasert says that there is no policy set up that would dictate the amount of active loans that they can have at one time, he recognizes that they “don’t want to overextend,” but, “the more we do the better.”<sup>127</sup>

### **Loan Fund Success**

Since the Preservation Loan Fund’s inception in 1985, the organization has closed approximately 173 loans, and the applications have been at a 3 to 1 ratio. So far, there have been no defaults on loans, partially because the organization works very closely with the owner and often will grant an extension if the ownership entity is having difficulty with their payments. To date, the loan fund has never been depleted. Sriprasert says that the affects of the loan fund are most obvious in the North Side of Pittsburgh, and that all of the loans focused in that neighborhood have made a great impact. Currently the organization relies solely on their website and word of mouth to market the loan program, which has worked for them because so many organizations that have

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<sup>125</sup> Ibid.

<sup>126</sup> Ibid.

<sup>127</sup> Ibid.

already received loans from PHLF keep coming back. Even so, Sriprasert says that they are interested getting more involved in social media. The first organization to mention this, Sriprasert sees the biggest threat as a lack of knowledge of new markets, because the organization does not have exhaustive knowledge of all Pittsburgh's neighborhoods. PHLF needs to cultivate relationships with local groups in those neighborhoods in order to effectively reduce their risk. Sriprasert says that they define success by "The number of properties saved, the amount of square footage, and the number of new clients," and he adds that "Moving forward we want to do more loans, and raise more capital to do that."<sup>128</sup>

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<sup>128</sup> Ibid.

## **6.7 Preservation League of New York State**

*Albany, NY*

### **Establishment of the Loan Fund**

Preservation League of New York State (PLNYS) has been an active force in New York Preservation for over three decades. Founded in 1974, the organization's mission is as follows:

By leading a statewide preservation movement, sharing information and expertise, and raising a unified voice, the Preservation League of New York State promotes historic preservation as a tool to revitalize our neighborhoods and communities, honor our heritage, and enrich our lives.<sup>129</sup>

The organization operates what is called the Endangered Properties Intervention Program (EPIP), which provides loans for the acquisition, rehabilitation, and the occasional movement of an historic building. Funded in 2007 with a one-time award of \$2 million from the New York State Office of Parks, Recreation and Historic Preservation, it was not until 2008 that the program was implemented, after administrative policies and procedures were established. According to Treacy Sayres, Program Manager of EPIP, the purpose of the fund was to “set up a loan fund by which below market rate loans could be used to prevent the demolition or deterioration of historic buildings as well as for the acquisition, stabilization, and rehabilitation of historic buildings.”<sup>130</sup> In its short three-year history, the loan fund has been used to renovate historic properties, as well as stabilize them until such a time that funds are available for a full-scale rehabilitation.

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<sup>129</sup> “Who We Are: Mission Statement,” Preservation League of New York State, accessed March 21, 2011, [http://www.preservenys.org/06\\_who\\_mission.html](http://www.preservenys.org/06_who_mission.html).

<sup>130</sup> Treacy Sayres, interview with the author, February 3, 2011.

### **Building Eligibility**

The property does not have to be listed on either the local, state or national register, but at a minimum must be eligible for listing. One of the provisions in the EPIP loan's closing documents is that the property owner pursues designation. However, if the property owner is pursuing state or federal historic tax credits, which PLNYS allows, the building must be located within an historic district or be individually listed.

### **Project Eligibility**

Loan funds from EPIP are available to “almost anyone,” because as Sayres comments, the “main intent is to save or put to reuse an historic building,” and this includes individuals, non-profits, and small businesses.<sup>131</sup> As the funds can be used for both the acquisition and rehabilitation of an historic property, the organization does not require that the applicant has owned the property for a certain amount of time, nor does EPIP require that the applicant has secured a deed at the time of application for the funds. PLNYS simply requires some form of “site control,” such as an option, a sales contract or a right of first refusal.<sup>132</sup> A deed would be required for the loan closing, however. PLNYS does protect themselves from owners simply interested in “flipping” the building, because the application process requires the owner or prospective owner to divulge what they plan to do with the property. According to Sayres, “It would be pretty obvious if they wanted to flip the property because in the feasibility phase we find out what the owner is planning to do with the property, how it would be financed and who is

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<sup>131</sup> Ibid.

<sup>132</sup> Ibid.

going to be managing the building.”<sup>133</sup> In order to protect the building in the future, PLNYS will ask the owner to attach an easement and/or second mortgage to the property, which will prevent future owners from demolishing the building or making alterations to the property. In order to determine that the loan applicants have the ability to repay the loan, PLNYS “prefers” that the applicant has “already received a commitment from an additional funding source, i.e. a mortgage from a bank.”<sup>134</sup> But it is within the program’s parameters to make loans early on in a project before other funds have been identified. In addition PLNYS asks for a term sheet from a bank, or a commitment letter from a participating funding source, as well as a list of additional places that the applicant has applied for funding. PLNYS and the EPIP do not target specific income groups, or make low-income a requirement. The organization also requires that the owner have insurance on the property. For the properties that are listed on the register or in a registered district, the SHPO requires that the work meet the SOI *Standards*. Applicants whose properties are eligible or intend to use federal or state historic tax credits must meet the SOI *Standards* as well. PLYNYS does not require that the contractor have any previous restoration or rehabilitation experience, but rather leaves those decisions to the owner. However, this is another item that Sayres sees as falling under the jurisdiction of the SHPO. Although the loan fund can cover interior and exterior rehabilitation, and both hard and soft costs, PLNYS prefers that at least some of the funds be directed towards the hard costs where possible.

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<sup>133</sup> Ibid.

<sup>134</sup> Ibid.



## **Loan Fund Structure**

Preservation League of New York State manages the EPIP in house, without any assistance from a bank or other agency. When asked about who evaluates, closes and secures all the loans, Sayres explains that PLNYS does not do legal work. When the program was started a lawyer board member helped out with the legal processes. However, now they are looking for an outside firm to assist with that. The organization to date is about to close on their fifth loan, so they continue to improve the process as they determine what works well and what does not. When a Phase I application is received, Sayres reviews it to determine project eligibility. Once deemed eligible, a Phase II application for Feasibility is sent to the applicant, Sayres then determines the feasibility of the project being completed, the risk involved, and makes a recommendation to approve or not, makes a recommendation on the interest rate and loan term, and then passes the application along to the EPIP loan committee for review. The EPIP Loan Committee makes the final loan approval and terms determination. In order to secure their investment in a property, PLNYS puts a mortgage lien on the property and may also consider taking personal or business guarantees. Depending on the project, the loan disbursement can occur all at once or in installments.

Preservation League of New York State's Endangered Properties Intervention Program has a fixed below market interest rate, which as mentioned previously, is determined at the time of the EPIP loan committee review. The maximum amount that

can be loaned is \$200,000, although Sayres adds that the amount is not “statutory,” and “if you had a really good reason to exceed that amount, I would ask the committee.”<sup>135</sup>

### **Loan Fund Operation**

There is only one part time staff member who manages the loan program, Treacy Sayres, and she is only in the office two days a week. When PLNYS was awarded the money from the state for the loan fund, all the funds were put into the loan fund and there were no associated administrative funds for staffing. The organization applied for and received a grant from The 1772 Foundation for the part time program manager position. In only two days a week, Sayres fields phone calls with questions about the program, accepting applications, advancing applications on to Phase II of the project, and taking loans to closing. In addition she provides technical assistance, what she calls, “helping people to do what they are trying to do.”<sup>136</sup>

### **Loan Fund Success**

The original amount given to establish the loan fund was \$2 million dollars, and with a total of five loans since 2008, the size of the fund has yet to hinder the ability to give out loans. Sayres says enthusiastically that they have had “a ton of interest in the program this year,” estimating that the organization currently has between 25-30 serious inquiries about the fund and many applications at various stages of the process.<sup>137</sup> It is important to note that the organization does not put a cap on the number of “active” loans at one time, thus only limiting themselves by the size of the fund and the funds

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<sup>135</sup> Ibid.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

remaining.<sup>138</sup> “When you talk to someone who has a loan fund meant to save historic properties, its different than your regular bank loan,” says Treacy Sayres with regard to the EPIP at PLNYS, adding, “We’re also here for the mission.”<sup>139</sup> PLNYS markets the loan fund through their website, a notice in the rural housing coalition newsletter, and in the future, hopes to include announcements in other preservation organizations’ newsletters. Additionally, people learn about the EPIP when applying to other Preservation League grant programs. Not unlike other loan programs where staff resources are an issue, Sayres believes that the primary threat to the fund is having funds for adequate staffing. The organization continues to look for administrative funding in order to make the fund manager position permanent and full time. In addition, she understands that these loans are all higher risk loans overall as compared to a bank loan. PLNYS must consider their mission and temper that with the likelihood that the loan can be paid back and revolved back into the fund. Sayres defines success as “how many historic properties we have helped, and that we can continue to revolve the funds because we are making successful loans that are getting paid back.”<sup>140</sup>

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<sup>138</sup> Ibid.

<sup>139</sup> Ibid.

<sup>140</sup> Ibid.

## **6.8 Preservation Pennsylvania**

*Harrisburg, Pennsylvania*

### **Establishment of the Fund**

Pennsylvania's only statewide non-profit preservation organization, Preservation Pennsylvania was founded in 1985 on the principal that "through creative partnerships, targeted educational and advocacy programs, advisory assistance, and special projects, Preservation Pennsylvania assists Pennsylvania communities to protect and utilize the historic resources they want to preserve for the future."<sup>141</sup> In contrast to the other non-profit organizations interviewed, the statewide rehabilitation loan program preceded the founding of Preservation Pennsylvania. The Governor and the State Historic Preservation Office established the Preservation Fund of Pennsylvania in 1982 with funds allocated from the General Assembly.

Three years later, in a move inspired by Preservation North Carolina, the Preservation Fund of Pennsylvania merged with a statewide preservation group to form Preservation Pennsylvania. Upon the inception of Pennsylvania's new statewide non-profit organization, the Pennsylvania General Assembly granted the newly minted Preservation Pennsylvania \$400,000 for the operation of a loan fund. Looking to spur private investment in historic preservation in the state of Pennsylvania, the establishment of the original fund and the creation of Preservation Pennsylvania were driven by the State Historic Preservation Office, who wanted an organization that could affect preservation through advocacy and lending. Today, Preservation Pennsylvania operates

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<sup>141</sup> "Preservation Pennsylvania, About Us," Preservation Pennsylvania, accessed March 21, 2011, <http://www.preservationpa.org/index.php>.

both a properties acquisition fund and a rehabilitation loan fund with funds available to non-profits and municipalities statewide.

### **Building Eligibility**

The building must be located in a national or local register district, individually listed on the local or national register, or eligible for listing.

### **Project Eligibility**

According to Mindy Crawford, Executive Director of Preservation Pennsylvania, within the rehabilitation loan fund, the majority of the loans are made to non-profit organizations, and that is no coincidence-- “That’s the way it was established at the beginning, because the original money came from the General Assembly, they were pretty specific about who Preservation Pennsylvania can loan to.”<sup>142</sup> These ownership entities are not required to have owned the property for a certain amount of time, nor does Preservation Pennsylvania require that they maintain ownership for a certain amount of time after the loan is repaid. In order to prove that they have the ability to repay the loan, Preservation Pennsylvania requires the organization’s most recent IRS Form 990, which is the tax form filled out by non-profit organizations that are exempt from income taxes; most recent set of financial statements; and the budget for the current year.

According to Crawford, there are a lot of members of Preservation Pennsylvania’s Board with financial backgrounds. Many of these board members are on the Executive Committee, which gives final approval of the loans. The loan can be used for both acquisition and rehabilitation, and the work is required to meet the Secretary of the Interior’s Standards for Rehabilitation. Although there are no specific contractor

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<sup>142</sup> Mindy Crawford, interview with the author, November 15, 2010.

requirements, Preservation Pennsylvania will ask to see the resumes of those people involved in the project, and will often even call references. In order to ensure the preservation of a given property, Preservation Pennsylvania attaches a five-year protective covenant to the deed of the property with the granting of the loan to the organization. The loan has the ability to cover any aspect of the project, on the interior or exterior, and according to Crawford, “we like to be the piece that makes the project work, not just another part of the funding.”<sup>143</sup> Most of the loan applications received by Preservation Pennsylvania are from non-profit preservation organizations that Preservation Pennsylvania has already worked with, either through the rehabilitation loan program or their grant programs.

### **Loan Fund Structure**

Preservation Pennsylvania manages the loan fund in their offices, without the assistance of a bank or local agency. In order to secure their investment in a property, Preservation Pennsylvania is granted a lien. Preservation Pennsylvania’s loan fund has a fixed interest rate, calculated as the prime rate + 1%. The rate is determined and fixed at the time the loan is approved. The maximum loan amount is \$50,000, and although there is a statutory minimum loan amount, Crawford says there has not been any loan approved under \$20,000 in the last five years. The length of the loan term is flexible, though not to exceed eight years. Borrowers have the option of a fully amortized loan or an interest only loan with a balloon payment at the end of the term—the interest-only loan with a balloon is more popular.

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<sup>143</sup> Ibid.

### **Loan Fund Operation**

When the applications are received, Crawford's executive assistant processes the applications and they are reviewed and submitted to the Board of Directors for approval. Upon approval, the executive assistant completes all loan documents and makes all payments. An administration fee is taken out of the loan fund and transferred to general operating funds to pay the salary of the executive assistant each year. Preservation Pennsylvania works with an attorney to evaluate, close, and secure all the loans. The attorney does all the filing for the organization, and when the loan papers go out, the organization taking out the loan has to record the loan and the fully executed agreement back to Preservation Pennsylvania.

### **Loan Fund Success**

Preservation Pennsylvania is willing to do as many loans as the fund will support at a given time. To date, the fund has never been depleted and the size of the fund has not hindered the organization's ability to lend. At the time of this interview, Preservation Pennsylvania had eight active loans, and a fund balance of approximately \$200,000. Right now, Preservation Pennsylvania's marketing is limited to their website and word of mouth. Many of the organizations that apply for loans "have had an encounter with some of our other programs," according to Crawford, who also says that "Preservation Pennsylvania has people available for preservation technical assistance, and so a lot of applicants come through those avenues."<sup>144</sup> Currently Executive Director Crawford is very proud of the fact that Preservation Pennsylvania is working with a non-profit on their second rehabilitation loan.

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<sup>144</sup> Ibid.

However successful the loan fund at Preservation Pennsylvania has been, a small program like this is not without threats. Although currently the organization is getting ready to launch its first capital campaign, none of the money raised will go to support the rehabilitation loan program. According to Crawford, “the purpose of the campaign is to make sure that the organization will exist: replenish the fund that maintains the organization’s headquarters, endow the Executive Director position, and provide additional funds for technical assistance.”<sup>145</sup> Over the years, the fund balance has declined, in part because of Preservation Pennsylvania’s lengthy rescue of “the Star Barn,” which took 12 years and cost the fund \$100,000. Even with the losses, Crawford focuses on making a difference, and regardless of the modest size of the program she believes that they have “been allowed to do a lot of great things with it.”<sup>146</sup> When asked how she defines success, Executive Director Crawford had this to say, “For ourselves it is a project where we make a difference, involvement in a project that made a project happen where otherwise it wouldn’t have, and if the building is rehabilitated and put into viable use,”<sup>147</sup> adding quickly, “We hate to save things a second time.”<sup>148</sup>

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<sup>145</sup> Ibid.

<sup>146</sup> Ibid.

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.



## **6.9 Providence Revolving Fund**

*Providence, Rhode Island*

### **Establishment of the Loan Fund**

As mentioned previously, Providence Revolving Fund is one of the oldest loan funds in the country. Established in 1980 by the Providence Preservation Society as a new 501(c)(3) nonprofit organization, the mission of the Providence Revolving Fund is “to preserve Providence’s architectural heritage and stimulate community revitalization through advocacy, lending, technical assistance, and development in historic areas.”<sup>149</sup> The goal behind the founding of the organization was to help to revitalize low to moderate-income historic neighborhoods that did not have access to financial assistance. Looking to the revolving funds in Savannah, GA and Charleston, SC, the Providence Revolving Fund began with what Executive Director Clark Schoettle refers to as a “two pronged approach,” wherein the organization operated both an acquisition fund and a loan fund. The organization purchased properties, rehabilitated them, and resold them, as well as providing loans so that other homeowners might rehabilitate their properties. It is important to point out that although the organization utilizes the two different tools within the same neighborhoods, the programs are separate, and loan monies cannot be used for acquisition.

Today, Providence Revolving Fund operates two revolving loan programs, the Neighborhood Loan Program mentioned above, and the Downcity Loan Program. The Downcity Partnership, Inc., established the Downcity Loan Program in 2001 and when that organization closed its doors in 2004, Providence Revolving Fund took over their

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<sup>149</sup> “Providence Revolving Fund: About Us,” Providence Revolving Fund, accessed March 22, 2011, <http://www.revolvingfund.org/about.php>.

program, which provides development loans, storefront improvement loans and grants for signs, awnings and storefronts in Providence's historic commercial district.

### **Building Eligibility**

The loan applicant's properties must be in an either locally or nationally designated district, and the work completed must meet the Secretary of the Interior's *Standards for Rehabilitation*. Providence, RI has a local preservation ordinance, and Providence Revolving Fund's target areas correspond with the local historic districts.

### **Project Eligibility**

The loan programs operated by Providence Revolving Fund loan money to individuals, non-profits, and small businesses, with individuals being the most frequent recipients. According to Schoettle, Providence Revolving Fund has "No ownership caveat. If someone buys the buildings we will work with them right away, and downtown we have money for tenants."<sup>150</sup> In order to prove that they have the ability to repay the loan, Providence Revolving Fund requires the potential borrowers' income tax returns, proof of employment, checking/savings account statements, stock statements, and credit history. Although the application process seems rigorous, Schoettle says that there are very few applicants who are rejected, because "every applicant that comes to us is an opportunity for us to improve a building."<sup>151</sup> Providence Revolving Fund also requires that the applicant have title insurance to cover the loan as well as insurance to cover the building. In order to ensure that the work will meet the SOI *Standards*, staff members of Providence Revolving fund will prepare drawings in-house. These drawings are typically

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<sup>150</sup> Clark Schoettle, interview with the author, November 30, 2010.

<sup>151</sup> Ibid.

limited to detail work. If the drawings are related to anything structural, Providence Revolving Fund will get them stamped by an engineer or architect. The organization has avoided the expense of having an insured architect on staff, and although there is liability associated with the process, according to Schoettle the organization's project managers are extremely knowledgeable, and there has not been a problem in thirty years.<sup>152</sup>

This allows Providence Revolving Fund takes control of the building permit process as well. In addition, the property owner must donate a ten-year easement on the property that prevents any alteration to the exterior of the building. Although the contractor chosen is not required to have previous restoration/rehabilitation experience, Providence Revolving Fund will screen the contractors by checking their references and looking at their other work. In fact, according to Schoettle, most of the contractors do not have previous preservation experience prior to beginning their work with Providence Revolving Fund. These "home improvement" type contractors allow the organization to keep the prices low—however, as the contractor works with the organization, Providence Revolving fund staffers make a concerted effort to train them. In doing so, these contractors have access to a steady stream of five to six projects a year through Providence Revolving Fund, and as a result, the organization has a steady group of reasonably priced contractors that they can rely on.<sup>153</sup> A loan from Providence Revolving fund will cover anything on a building's exterior. According to Schoettle, the organization generally suggests that the property owner do something more, such as restore the porch, because as Schoettle says, "This is not just a maintenance program, we

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<sup>152</sup> Clark Schoettle, email message to author, April 15, 2011.

<sup>153</sup> Clark Schoettle, interview with the author, November 30, 2011.

want to help restore the buildings back to what they should be.”<sup>154</sup>

### **Loan Fund Structure**

Providence Revolving Fund manages the loan fund in house, without assistance from a bank or other local agency. The organization has four full time staff people: Schoettle, two rehabilitation specialists, and an administrative assistant. Schoettle says that they develop “a personal connection to the people that you lent the money to, so that I can pick up the phone when they are late on their payments.”<sup>155</sup> Within the neighborhoods serviced by the loan program, there are neighborhood committees made up of about 7-8 residents who help Providence Revolving Fund with their application review. Providence Revolving Fund uses these residents to help judge relative values within a given neighborhood, and the neighborhood committee has the right to veto any loan before Providence Revolving Fund presents it to their Board of Directors. According to Schoettle, this practice “allows a core group in the neighborhood to feel vested in what goes on within their neighborhood.”<sup>156</sup>

In order to secure their investment on a property, Providence Revolving Fund will take a second mortgage position, and in addition will sometimes ask to have a loan guaranteed by an additional party. This is especially important with the DOWNCITY Loan program, and although people do not generally want to make personal guarantees, the organization typically succeeds in getting them, as they will be in a second mortgage position on the property. Schoettle says that there have been a few instances where the organization has secured additional collateral as well. Once the application is approved

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<sup>154</sup> Ibid.

<sup>155</sup> Ibid.

<sup>156</sup> Ibid.

and the loan is closed, Providence Revolving Fund staff will supervise the entirety of the construction process.

The Neighborhood Loan program has a fixed interest rate of 6%. Although Schoettle recognizes that this is high, he reminds us that the borrower is getting a substantial number of services for their money, which include technical assistance, plans and specs, bidding the project, negotiating the contractor price, and running the construction. In essence, the borrower is putting all of the worry and strain of the design and construction project in the hands of Providence Revolving Fund. Generally, the maximum loan amount for the Neighborhood Loan Program is \$50,000, however there is no statutory maximum. As mentioned by Schoettle,

Depending on how pivotal the project might be to the rest of the neighborhood or how hard it would be for them to get other financing, \$75,000 would be unusual, but we might do it on a project that will make a big difference wherein we feel like we have a lot of control.<sup>157</sup>

There is also no set minimum loan amount, but it typically ranges between \$7,000 and \$8,000. In the current economy, Schoettle explains that the organization is trying to loan between \$25,000 and \$50,000 a project. The loan term is between seven and eight years, and the loan is fully amortized over the term. Schoettle mentions that there have been properties whose owners have changed over the years but which have been repeat customers for the loan program, a scenario which he appreciates because it is “a nice service and a good way to keep the houses sustainable and manageable for homeowners.”<sup>158</sup> For the Downcity Loan Program, the interest rate runs between 4.5%

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<sup>157</sup> Ibid.

<sup>158</sup> Ibid.

and 5%, and the loan amount can be between \$100,000 and \$1 million with a shorter loan term.

Providence Revolving Fund has approximately \$2.2 million in the Neighborhood Loan Fund, and approximately \$6.5 million in the Downcity Fund. Only about \$600,000 of that money belongs to Providence Revolving Fund, and the remainder is borrowed from banks and other revolving funds. The banks loan the money to Providence Revolving Fund, which helps to broaden the reach of their funds throughout Providence. These monies are not grants, but rather program related investments by banks and other organizations. While Providence Revolving Fund does not have a set amount of active loans at a time, Schoettle warns, “If you get too big you can’t manage, and you have to hire more people. If you increase your overhead, it is hard to support it.”<sup>159</sup> In past years, Providence Revolving Fund has typically had between sixty and seventy loans in repayment; however, right now Schoettle estimates that the organization currently has closer to one hundred. Since the establishment of the fund, the organization has granted 450 loans, and Schoettle estimates that they have only turned away between two and three applicants. He admits that not all of the loans have been paid on time, and that in their thirty-year history they have probably lost about six loans on homes that have been foreclosed on.

### **Loan Fund Success**

The organization makes a concerted effort to keep people current with their first mortgage payment because Schoettle recognizes “that’s what’s gonna wipe us out.”<sup>160</sup>

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<sup>159</sup> Ibid.

<sup>160</sup> Ibid.

Today, of the close to one hundred loans that are in repayment, Schoettle estimates that there are about twenty borrowers who are behind on their payments. However, Schoettle says that the organization tries to be patient, referring to the loan as “patient money.”<sup>161</sup> The Providence Revolving Fund has never been depleted, and although the impact of this program is widespread, Schoettle sees the Broadway Armory National Register district as one where the effects of the program are most prevalent.

Traditional marketing techniques, such as yard signs at project sites, are used in conjunction with the neighborhood committees who market the program through word of mouth. The current state of the real estate market has been a threat to the fund, and foreclosures have affected the organization, particularly because of their unique leveraged situation. As mentioned earlier, much of the money in the fund is lent from other organizations, so if it is lost, Providence Revolving Fund must pay it back, which would mean reducing the organization’s own capital. Regardless of the current situation, Schoettle is still enthusiastic when talking about the organization’s measure of success. He says that they aim to “create sustainability within the neighborhoods,” and that the program is “about the whole” rather than individual projects.”<sup>162</sup> Satisfied by accomplishing a good before-and-after, and eager to support the neighborhoods, Schoettle says, “I see us as a stabilizing force in areas in transition, and that’s really the goal.”<sup>163</sup>

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<sup>161</sup> Ibid.

<sup>162</sup> Ibid.

<sup>163</sup> Ibid.

## **6.10 Utah Heritage Foundation**

*Salt Lake City, Utah*

### **Establishment of the Loan Fund**

Founded in 1966, Utah Heritage Foundation (UHF) was the first statewide preservation organization in the western United States. In 1973, Utah Heritage Foundation raised \$4,000 for the foundation of a revolving fund program to be focused in The Marmalade District of Salt Lake City. Initially an acquisition fund, the fund was highly successful in completely rehabilitating a two-block stretch of Quince Street, which had been considered a “slum.”<sup>164</sup> The success of the program was evidenced by the newfound neighborhood involvement, which included countless volunteer hours and requests for “historic” lighting in the neighborhood. By the late 1970s UHF’s Revolving Fund expanded to include rehabilitation loans, which made low interest loans to homeowners for the rehabilitation of their historic homes.<sup>165</sup> Today Utah Heritage Foundation operates three rehabilitation loan funds: the SLC Community Development Block Grant Fund, focused on Salt Lake City and created with CDBG funding; the Statewide Fund, used statewide and funded through private donation; and the SLC Preservation Assistance Fund, also focused on Salt Lake City with money from Salt Lake City’s general operating funds.

### **Building Eligibility**

The organization requires that the property either be individually listed on the National or Local Register, located within a National or Local Register district, or

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<sup>164</sup> “Utah Heritage Foundations Revolving Fund Loan Program 1972-Present,” Utah Heritage Foundation, date unknown.

<sup>165</sup> Ibid.



eligible to be individually listed. As mentioned previously, two of the loan funds are restricted to Salt Lake City, but the statewide fund does not focus on any specific geographic area.

### **Project Eligibility**

UHF will loan to individuals, non-profits and small businesses and does not require that the ownership entity have owned the building for a particular amount of time prior to loan application. According to Assistant Director Elizabeth Bradley-Wilson, “In the past the trend has been that we don’t like to fund projects that are just being flipped, but there is no policy regarding it.”<sup>166</sup> The loans do not target an applicant within a specific income bracket, and in order to determine whether the applicant has the ability to repay the loan, UHF requires a proof of income, a list of assets, list of debts, and a credit report. There is one additional requirement that about which UHF is particularly stringent, and that is insurance. According to UHF’s Program Policies, the borrower is to “require and maintain” the following insurance policies: liability, property hazard, builder’s risk, worker’s compensation, and flood.<sup>167</sup> UHF will not release funds to the borrower until UHF is listed on the insurance policy as an additional policyholder. According to UHF’s Program Policies, “UHF Revolving Fund Loan Program funds may be used for restoration, rehabilitation and repair.”<sup>168</sup> As a result, the work completed is required to meet the Secretary of the Interior’s *Standards for Rehabilitation*. Although UHF does not require that the contractor chosen has previous restoration/rehabilitation

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<sup>166</sup> Elizabeth Bradley-Wilson, interview with the author, November 12, 2010.

<sup>167</sup> “Revolving Fund Loan Program Policies,” Utah Heritage Foundation, adopted January 1999, 9.

<sup>168</sup> *Ibid.*, 1.

experience, as part of their application, loan applicants must provide a detailed bid from the licensed contractor including details on techniques. According to Bradley-Wilson this is in part how the Historic Property Committee is utilized. The Historic Property Committee is a committee made up of architects, contractors, and preservationists who assist UHF in some of the more physical aspects of the loan process. All aspects of a rehabilitation project are eligible for funding, although some receive a higher priority, as stated in the Program Policies,

The use of funds for exterior improvements shall receive a priority, but funds may also be used for interior improvements. Emphasis for funding for interior improvements shall be placed on mechanical, electrical, and plumbing systems code compliance.<sup>169</sup>

Bradley-Wilson admits that if a kitchen renovation is part of a larger project, it is possible that it could be incorporated.

### **Loan Fund Structure**

Utah Heritage Foundation does the entire loan underwriting, without assistance from a bank or other local agency. Bradley-Wilson proudly says, “Only two loans have gone into default in the history of the program.”<sup>170</sup> In order to secure their investment on a property, UHF takes out a first or second trust deed or mortgage on the property. However, according to Bradley-Wilson, “Utah Heritage doesn’t want to foreclose on someone, we would rather extend the term and work with the property owner.”<sup>171</sup> When an application is approved, the disbursements are made on the basis of the “percentage of

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<sup>169</sup> Ibid.

<sup>170</sup> Elizabeth Bradley-Wilson, interview with the author, November 12, 2010.

<sup>171</sup> Ibid.

the improvements completed and the value of the work in place.”<sup>172</sup> These disbursements are also subject to a list of conditions as laid out in the Program Policies. UHF’s Revolving Fund Program Policies also state that the borrower is responsible for all fees associated with the loan, which includes but is not limited to the closing transaction fee, recording fee, escrow account fees, inspection fees, easement monitoring fee, and a 1% loan fee.<sup>173</sup> The policy also states that there are additional fees to be paid where applicable, for example a delinquent payment fee, re-conveyance fee, closing fee, or cancellation fee.<sup>174</sup>

Utah Heritage Foundation’s Revolving Loan has a fixed interest rate of one half the prime rate, determined at the time the loan was approved. The program guidelines do not include maximum or minimum loan amounts; instead the money available in the fund and the scope of work dictates the amounts. UHF also takes the loan to value and debt to income ratios into account when choosing the loan amount. Exterior work is given the highest priority and system upgrades the second position. The loan term is five years amortized over twenty years, with a balloon payment at the end of the term. Bradley-Wilson says that the loan is structured this way to allow the fund to revolve more quickly.

### **Loan Fund Operation**

UHF employs a staff of seven, and the loan process is the responsibility of the Assistant Director. Although that may sound like a significant workload, Bradley-Wilson admits that “The loan program duties are not consistent, they are more intensive at

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<sup>172</sup> “Revolving Fund Loan Program Policies,” Utah Heritage Foundation, adopted January 1999, 13.

<sup>173</sup> Ibid., 5.

<sup>174</sup> Ibid.

different times.”<sup>175</sup> This loan process includes working with the property owner and contractor during the design phase, then the construction phase, as well as processing the loan payments each month. When an application is received, it is reviewed by the Historic Properties Committee, which looks at criteria such as project appropriateness, historic significance of property, financial viability of application, potential effect on surrounding neighborhood, and availability of loan funds.<sup>176</sup>

### **Loan Fund Success**

The loan programs at Utah Heritage Foundation have generated enough interest that the size of the fund does hinder the organization’s ability to give out loans. In fact, of the three funds, the Statewide Fund often has a wait list. With regard to applicants versus loans granted, in 2010, Bradley-Wilson reviewed a total of eight loans, three of which were denied on financial grounds. The organization does not put a cap on the number of “active loans” per year; however, on average there are typically between twelve and fifteen. UHF relies primarily on word of mouth and signage at project sites to advertise the loan program. Because the organization often gives out loans on projects in conjunction with the state tax credit, the Utah SHPO does a great job of promoting the loan program as well. These advertising strategies yield between 5-10 inquiries per month. Today, the impact of the UHF Revolving Fund Loan Program is evident in the Marmalade Hill neighborhood in Salt Lake City, where the organization has had a hand in at least thirty structures in a range of a couple blocks.

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<sup>175</sup> Elizabeth Bradley-Wilson, interview with the author, November 12, 2010.

<sup>176</sup> Utah Heritage Foundation, “Revolving Fund Loan Program Policies,” adopted January 1999, 3.

Since the establishment of the Revolving Fund Loan Program at Utah Heritage Foundation in the late 1970s, the organization has made 202 loans, at a total of almost \$4.9 million dollars. When asked what she sees as the primary threats to the fund, Assistant Director Bradley-Wilson said, “We feel pretty secure.”<sup>177</sup> UHF is currently looking at new ways to expand the loan program and add an educational component, such wherein the organization would use a loan fund project for rehabilitation workshops. Bradley-Wilson sees the most rewarding part of her job as “Working with the property owner and seeing the evolution of their education about their own property—why they should be investing in it and taking care of it. Often that part of the process is overlooked.”<sup>178</sup> Her fulfillment comes from creating new converts to historic preservation. She sees the success of the program as twofold: when a building is rehabilitated that might not otherwise have been, and when people who were not eligible for traditional funding pay off their loans so that that money can be loaned out again.

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<sup>177</sup> Elizabeth Bradley-Wilson, interview with the author, November 12, 2010.

<sup>178</sup> Ibid.

## Chapter Seven: Government Entity Case Studies

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### **7.1 City of Deadwood, SD Historic Preservation Commission**

*Deadwood, SD*

#### **Establishment of the Loan Fund**

The City of Deadwood South Dakota's Historic Preservation Commission operates a loan fund in partnership with the City of Deadwood, and a national organization called Neighborworks. The Statement of Purpose in the Revolving Loan Fund Policy Guidelines reads as follows:

The restoration and protection of Deadwood's historic buildings and structures are acknowledged to be a primary part of the City's goal to preserve and maintain Deadwood's historic integrity. The expense of such restoration and protection projects may discourage property owners from having the work completed or may result in lower quality of craftsmanship. The purpose of this fund is to assist and encourage property owners to restore and protect their properties through the use of quality materials and craftsmanship.<sup>179</sup>

The original capital for the Loan fund was transferred from the accounts of the Historic Preservation Commission. Although the impetus for the founding of the Loan fund is not clear, according to Mary Jo Nelson, Finance Officer at the City of Deadwood, it is possible that the loan fund was established in Deadwood, SD alongside gaming in 1992.

#### **Building Eligibility**

Contrary to the other case studies within this thesis, the entire city of Deadwood is a National Historic Landmark District. It is included on both the National Register of Historic Places and the South Dakota State Register of Historic Places. All the buildings

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<sup>179</sup> "Revolving Loan Fund – Residential Policy Guidelines," City of Deadwood Historic Preservation Commission, 3.

within the city limits are located within the historic district, and are eligible for a loan through the City of Deadwood Historic Preservation Commission. Even though the city is a National Historic Landmark, the City of Deadwood Historic Preservation commission has jurisdiction over the district.

### **Project Eligibility**

The Revolving Loan Fund at the City of Deadwood Historic Preservation Commission makes loans to individuals, non-profits, and small businesses, and does so through several different programs and application processes. The two most basic programs are the Revolving Loan Fund for Commercial Properties, and the Revolving Loan Fund for Residential Properties. In addition to these two loan programs, there are four programs referred to as “Special Needs” programs, which include Special Needs – Elderly, Special Needs – Vacant Properties, Special Needs – Wood Windows, and Special Needs – Siding Removal. These “Special Needs” loans are essentially a hybrid of a grant and a loan. The loans require no interest or principal repayment for ten years, and then at the end of ten years, if the owner has maintained the property to the Standards of the Historic Preservation Commission and the City Building Inspector, the loans are forgiven, and do not need to be repaid. If the property owner sells the property before the ten years has commenced, or the Commission and the Inspector do not feel that they have maintained the property, they have to pay back the loan in full. As this thesis is concerned with a more traditional revolving fund, and these funds do not necessarily revolve, for the remainder of this case study I will be addressing the issues related to the residential property loans and the loans for commercial properties.

As mentioned previously, individuals, non-profit organizations, and small businesses are all eligible for loans from the Deadwood Historic Preservation Commission. Of the three, the most loan dollars are awarded to commercial projects, whereas the largest number of loans has been given to individual property owners.<sup>180</sup> The building must be listed on “the city’s 1994 Historic Site Inventory as an historic property in the Deadwood National Historic Landmark District.”<sup>181</sup> The ownership entities are not required to have owned the property for a minimum period, nor are they required to continue their ownership for a certain amount of time after the rehabilitation (except in the cases mentioned above). In order to prove that they have the ability to repay the loan, individual applicants for residential properties are required to submit a verification of income and proof of ownership.<sup>182</sup> For commercial applicants to prove that they have the ability to repay the loan, Deadwood requires tax returns from the last three years, a current balance sheet, current profit and loss statements, and proof of ownership.<sup>183</sup> In addition, Deadwood does require that both residential, and commercial applicants maintain insurance on the subject property. Because all of Deadwood, SD is a National Historic Landmark, the rehabilitation work on the property is required to meet the Secretary of the Interior’s *Standards for Rehabilitation* and “contractors must provide evidence of previous preservation/rehabilitation experience.”<sup>184</sup>

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<sup>180</sup> Mary Jo Nelson, interview with the author, April 8, 2011.

<sup>181</sup> “Revolving Loan Fund - Residential Policy Guidelines,” City of Deadwood Historic Preservation Commission, 3.

<sup>182</sup> *Ibid.*, 5.

<sup>183</sup> “Revolving Loan Fund - Commercial Policy Guidelines,” City of Deadwood Historic Preservation Commission, 8.

<sup>184</sup> “Revolving Loan Fund - Residential Policy Guidelines,” City of Deadwood Historic Preservation Commission, 6.



Both the Revolving Loan Fund Residential Property Guidelines and those for commercial property have very specific priority outlines for the projects. The residential guidelines list three priorities: priority “a” is properties that are “required by the City of Deadwood’s Building Inspector and necessary to comply with the applicable Life Safety Codes,” priority “b” is projects that affect “the preservation and protection of properties listed on the city’s 1994 Historic Sites Inventory as historic or contributing in the Deadwood National Historic Landmark district,” and priority “c” “contribute to the integrity of the City of Deadwood as defined in Chapter 24:52:00:01 (4) of the administrative rules of the South Dakota State Office of History.”<sup>185</sup> The priorities for commercial properties are even more detailed, with six priorities listed. The priorities previously mentioned for residential projects are priority “a”, “b”, and “e,” while priority “c” relates to “contributing” properties, priority “d” is with regards to “fabric or intrusion” properties, and priority “f” relates to additions.<sup>186</sup> With regard to easements, Nelson says that they are “loan specific,” and that the Commission does not always require them.

### **Loan Fund Structure**

As mentioned previously the Commission is partnered with an organization called Neighborworks, which assists with the loan process. For the organization’s services, the City of Deadwood pays approximately \$86,000 per year. For first priority residential projects, the loan is interest free with a five-year term, and the loan amount can be between \$50 and \$10,000. Loans for “restoration of buildings and structures” have a

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<sup>185</sup> Ibid., 3-4.

<sup>186</sup> “Revolving Loan Fund Commercial Policy Guidelines,” City of Deadwood Historic Preservation Commission, 6-7.

seven-year term, with a 4% fixed interest rate, and a loan amount of up to \$25,000. Security is required on both of these loans, which the Commission ensures through a second mortgage, with which they have the ability to foreclose on the property. According to Nelson, “I have been here 13 years, and there have been three properties that were foreclosed on. Most recently was an historic apartment complex in which the owners did a ‘deed in lieu of foreclosure,’ and the City lost money.”<sup>187</sup> For first priority commercial projects the loan is interest free with a five-year term, and the loan amount can be between \$1,000 and \$50,000. For commercial “restoration of buildings and structures,” the term is 7 years, with a 6% fixed interest rate and a loan amount of “\$1,001 and up.”<sup>188</sup> Currently the organization has approximately 161 active loans, equaling more than \$4 million dollars, leaving a total of \$2.5 million available for new applicants. According to Nelson, so far the balance of the fund has not limited the Commission’s ability to give out loans, and the fund has never been depleted.

### **Loan Fund Operation**

Neighborworks is the recipient of the initial application, which they review and then make a presentation and recommendation to the Loan Review Committee at the City. The Loan Review Committee is made up of the Mayor of Deadwood, three Historic Preservation Commissioners, and the Historic Preservation Officer, and Mary Jo Nelson (Finance Officer). Once the application is approved at the Loan Review Committee, it is forwarded on to the Commission Board for final approval. Once the Commission and Neighborworks have all the lien wavers signed, and the Building

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<sup>187</sup> Mary Jo Nelson, interview with the author, April 8, 2011.

<sup>188</sup> “Revolving Loan Fund Commercial Property Guidelines,” City of Deadwood Historic Preservation Commission, 8.

Inspector has signed off on the project, Nelson issues a check from the City of Deadwood, and the Commission and Neighborworks handle the disbursements.

### **Loan Fund Success**

Although the Commission does not keep records on the total number of loans that they have done since the program's inception, Nelson estimates an average of three to four loans a month, and estimates that 95% of all applications are approved. Working with Neighborworks has helped in the Commission's marketing efforts as well. Neighborworks uses their website as well as printed brochures to advertise the loan program, and has a network of "Block Clubs" through their organization which allows knowledge about different incentives to travel quickly. In addition, Nelson adds, "It's a small town, so people just know about it."<sup>189</sup> Although the loan program has affected neighborhoods throughout Deadwood, Nelson believes that the Presidential Neighborhood, a neighborhood full of smaller bungalows, is the most visibly affected by the loan program. In addition, there have been two projects on casino buildings downtown, where loan money from the fund was able to rehabilitate the upper floors and turn them into historic hotels. When asked about the primary threats to the fund, Nelson says that they currently have "a couple larger commercial loans that are seriously delinquent, that if they don't sell, they will threaten the amount of capital that we can loan out."<sup>190</sup> As Nelson is the City's Finance Officer, she measures success through getting paid back. However, she adds, "If nobody pays us back we wouldn't be able to

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<sup>189</sup> Mary Jo Nelson, interview with the author, April 8, 2011.

<sup>190</sup> Ibid.

help anybody else, and since 1992 we have been able to save a lot of structures and help a lot of residents.”<sup>191</sup>

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<sup>191</sup> Ibid.

## **7.2 City of Dubuque, Iowa Historic Preservation Commission**

*Dubuque, Iowa*

### **Establishment of the Loan Fund**

The Dubuque, Iowa Historic Preservation Commission has been operating a loan fund since 2001. The Historic Preservation Revolving Loan Fund or HPRLF was established to “support historic preservation within the city of Dubuque Historic Preservation Districts. The fund provides incentives and is a resource for property owners to make exterior improvements.”<sup>192</sup> Through the recommendation of a preservation task force and the Historic Preservation Commission, it was determined that the fund should have an initial balance of \$400,000. As a result, the City Council approved the FY02 CIP budget with a \$200,000 Urban Development Action Grant (UDAG) to establish the loan fund, and the Historic Preservation Commission was challenged to find the additional \$200,000 to make up the difference. In 2004, the Commission secured a ten-year, no interest loan of \$200,000 from Premier Bank, which put the fund in motion.

### **Building Eligibility**

In order to be eligible for a loan from Dubuque’s HPRLF, the building must be at least fifty years old, and located within one of Dubuque’s five locally designated historic districts: Cathedral, Jackson Park, Langworthy, West 11<sup>th</sup> Street, and Old Main. In addition, each of Dubuque’s nine local landmarks is also eligible for loans from HPRLF: Carnegie Stout Public Library, City Hall, Old Dubuque County Jail, William M. Black Steamboat, Shot Tower, Mathias Ham House, Julien Dubuque Monument, and the Four Mounds Estate. Both Dubuque’s Historic Districts and its local landmarks are listed on

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<sup>192</sup> Dave Johnson, email message to author, December 2, 2010.

the National Register of Historic Places, and the Old Dubuque County Jail and the William M. Black Steamboat are both National Historic Landmarks. Any prospective borrower must undergo the City of Dubuque's design review process, as all properties located within Dubuque's local historic districts are subject to the guidelines put forth in the local preservation ordinance. Projects that are looking to take advantage of the Federal Historic Rehabilitation Tax Credit as well as Iowa's State Historic Preservation Tax Credit Program are also eligible for loan dollars.

### **Project Eligibility**

Individuals, non-profits, and small businesses are all eligible for loan dollars, although individual property owners are the most frequent borrowers. The property owner is not required to have owned the property for a minimum amount of time, nor do they have to maintain ownership for a certain amount of time after the rehabilitation has been completed. In order to prove that they have the ability to repay the loan, an applicant will go through a an underwriting process which according to Johnson, "is the same as any other bank in town."<sup>193</sup> As the rehabilitation projects will be taking place in National Register-listed districts or on individual landmarks, the work is required to meet the Secretary of the Interior's *Standards for Rehabilitation*. Surprisingly, HPRLF Dubuque does not require that the contractor have previous restoration or rehabilitation experience, and furthermore the property owners are also allowed to complete the work themselves. Even though the city of Dubuque will let homeowners do their own work, they do require that a contractor chosen be licensed and "carry a minimum general

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<sup>193</sup> Ibid.

aggregate limit of \$2M and an automobile limit of \$1M.”<sup>194</sup> Johnson calls a contractor with previous rehabilitation experience “helpful,” but adds, “the focus is placed on the project and the applicant and not the perceived qualifications of a contractor or contractors.”<sup>195</sup> The loans cover exterior improvements to the building, as well as historic limestone retaining walls, which are critical to the support or protection of structures. The HPC does not require that an easement be put on the property; because of the requirement that all the properties must be located within a local preservation district, any exterior alterations to a property already must be approved by the HPC, and the property is prevented from demolition.

### **Loan Fund Structure**

The management of the loan is done through a partnership between the City of Dubuque Historic Preservation Commission and the City of Dubuque Housing and Community Development Department. The Housing and Community Development Department performs all of the underwriting and administrative duties associated with the loan, while the Historic Preservation Commission reviews the work proposed and decides whether the proposal is “consistent with applicable design guidelines and preservation standards.”<sup>196</sup> Dubuque’s HPRLF has a 3% fixed interest rate, and the loans are available in amounts not to exceed \$25,000. The loan fees associated with the loan are minimal, and according to Kris Neyen, Housing & Community Development Rehabilitation Specialist, the maximum amount of fees would be \$160 for credit report, title work,

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<sup>194</sup> Ibid.

<sup>195</sup> Ibid.

<sup>196</sup> Ibid.

recording of documents, and an appraisal.<sup>197</sup> The loan is fully amortized over the course of its ten-year term. According to Johnson, although there is not a timeline for completion of the rehabilitation, the COA's and building permits are good for one year, but he "will extend those provided a property owner is making continued progress."<sup>198</sup> The City of Dubuque does not employ a strict disbursement schedule, but rather the loan funds are disbursed as the work is completed, and as approved by inspectors and the owner of the property.<sup>199</sup> As mentioned above, the original size of the loan fund was \$400,000, and to date the size of the fund has not hindered the City's ability to give out loans. In order to protect their investment in a property the city records a mortgage lien against the property upon loan closing.

### **Loan Fund Operation**

When the Housing & Community Development Department receives bids and applications, they order a title search and underwrite the loan. According to Neyen, if the loan underwriting results are positive, she is forwarded the application for design review. A loan review committee made up of city staff reviews applications, bids, and the preservation approach in order to make recommendations to the HPC on how much funding is required, and in addition will confirm that the proposed work is compliant with City Housing, Building and Historic Preservation Codes. At this time, the HPC will take the committee's recommendation and review all the loan documentation: application, bids, and drawings. In deference to Dubuque's local preservation ordinance, the

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<sup>197</sup> Kris Neyen, email message to author, April 8, 2011.

<sup>198</sup> Dave Johnson, email message to author, April 8, 2011.

<sup>199</sup> Kris Neyen, email message to author, April 8, 2011.



Dubuque HPC has the ability to approve, deny, or make changes to an application. When the project is approved, work can begin as soon as the next day.

### **Loan Fund Success**

Since the program's inception in 2001, the HPC has made a total of 33 loans, and all the rehabilitation projects started were finished.<sup>200</sup> To date, the fund has never been depleted, and all of the loans have been repaid on time. The City markets the loan fund through the website and brochures that are mailed to property owners in historic districts, and of course through word of mouth. Although Johnson cannot think of a specific neighborhood wherein the loan fund has significantly affected its character, he says,

I can say with confidence that the program benefits have had a positive impact on properties throughout all of our historic districts, which consequently has had a positive effect on the investment and character of our neighborhoods.<sup>201</sup>

Projects such as the amazing storefront rehabilitation at 1109 Iowa Street, wherein the owner not only realized that much of the building's original fabric was still intact, but also gained a newfound appreciation for historic preservation, are a testament to the success of Dubuque's fund. Johnson sees no threats to the fund at this time, and he defines success as when "the loan funds a project that enhances the property and a neighborhood."<sup>202</sup>

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<sup>200</sup> Dave Johnson, email message to author, February 3, 2011.

<sup>201</sup> Dave Johnson, email message to author, December 2, 2010.

<sup>202</sup> Dave Johnson, email message to author, February 3, 2011.

## **7.3 Maryland Historical Trust**

*Crownsville, Maryland*

### **Establishment of the Loan Fund**

The Maryland Historical Trust (MHT) is a unit of the Maryland Department of Planning (MDP), and its mission statement reads: “The Maryland Historical Trust is dedicated to preserving and interpreting the legacy of Maryland’s past. Through research, conservation and education, the Maryland Historical Trust assists the people of Maryland in understanding their historical and cultural heritage.”<sup>203</sup> It is important to note that the Director of the Maryland Historical Trust also serves as the State Historic Preservation Officer.

Established through a law enacted by Maryland’s General Assembly in 1973, the Maryland Historical Trust Capital Loan Program is meant to encourage the preservation of historic properties statewide. As stated, “The objective of the program is to provide a source of funding, including loans to local jurisdictions, nonprofit organizations, business entities, and individuals and to assist and encourage efforts to acquire and preserve historic properties.”<sup>204</sup> According to Richard Brand, former Capital Grant & Loan Administrator, the program was originally designed to loan to non-profits for investments in properties in situations where the projects would not have occurred without the assistance of Maryland Historical Trust.

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<sup>203</sup> “About the Maryland Historical Trust,” Maryland Historical Trust, accessed March 23, 2011, <http://mht.maryland.gov/aboutMHT.html>.

<sup>204</sup> Maryland Historical trust Historic Preservation Loan Program Title 34 Department of Planning Subtitle 04 Historical and Cultural Programs Chapter 02.

### **Building Eligibility**

Loan funds are available to applicants whose properties reside in either National Register or Local Register Districts, are individually listed on either the local or National Register, or are eligible for listing.

### **Project Eligibility**

Maryland Historical Trust will make loans to nonprofit organizations, local jurisdictions, individuals, and business entities. According to Anne Raines, Capital Grants and Loans Administrator at MHT, “Nonprofits are most frequently funded. MHT is required to fund projects that have the highest public benefit.”<sup>205</sup> She adds that fewer applications are submitted from local jurisdictions, individuals, and business entities. MHT does not require that the ownership entity has owned the property for a certain amount of time, nor do they have to maintain ownership for a minimum period after the rehabilitation is completed. In order to prove that they have the ability to repay the loan, applicants must submit cash flow projections, financial statements, and tax records. The loan can be used to fund either acquisition or rehabilitation. However, if the loan is made for acquisition, funding for rehabilitation has to be already secured and demonstrated in the application, and MHT will only approve a loan if the property has “an expected useful life of 15 years.”<sup>206</sup> Expected useful life is related to both the physical life of the improvements / materials, but also to the ability of the applicant to maintain the investment over time through physical maintenance, administration, and funds. In

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<sup>205</sup> Anne Raines, email message to author, December 7, 2011.

<sup>206</sup> “MHT Capital Loan Program Guidelines,” Maryland Department of Planning and Maryland Historical Trust, date unknown, 3.

addition to acquisition and rehabilitation, refinancing a property is also eligible for loan monies.

Because of the properties' location in an historic district, the rehabilitation work is required to meet the Secretary of the Interior's *Standards for Rehabilitation*. The contractor is generally required to submit the firm's qualifications (i.e., showing previous experience with rehabilitation work) along with the price for the work. According to Raines, "the procurement process for use of state funds requires contracts to be awarded to the 'lowest qualified bidder.'"<sup>207</sup> This is not the same as taking the "lowest bidder", which is only about cost. "Lowest qualified bidder" is about cost and qualifications. Funds may be used for both interior and exterior rehabilitation work, excluding landscaping, and interestingly enough the program guidelines exclude, "Work to any area of a site or building or a building element, that is used predominantly for religious purposes, unless the work is required to make repairs to the building structure."<sup>208</sup> Finally, MHT does require that the property owner donate an easement on the property.

### **Loan Fund Structure**

Maryland Historical Trust's status as a state agency means that they have the benefit of collaborating with other established statewide partnerships when it comes to managing the loan fund. The MHT loan fund is held at the Maryland State Treasury, which means that all of the loan disbursements are made by the state Comptroller. With regard to the loan evaluation, closing and security, the MHT staff along with a loan underwriter from the Department of Housing and Community Development evaluates the

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<sup>207</sup> Anne Raines, email message to author, December 7, 2010.

<sup>208</sup> "MHT Capital Loan Program Guidelines," Maryland Department of Planning and Maryland Historical Trust, date unknown, 6.

loan. In the MHT Capital Loan Program Guidelines it states, “MHT may require that repayment of a loan be secured by liens, guarantees of repayment, or other forms of collateral acceptable to MHT.”<sup>209</sup> Generally loans are secured by a mortgage on the property to be funded with the loan. The loan may be secured by other properties that are offered as collateral; or sometimes a personal guarantee or funds in escrow may be required. This does need to be determined on a project-by-project basis in conjunction with the underwriters.

Maryland Historical Trust’s Capital Loan Program has a fixed interest rate calculated as 1/8 percent higher than the interest rate of the most recently sold State of Maryland general obligation bonds. The loan term is not to exceed 20 years, and is fully amortized over the term. Maryland Historical Trust does not set a time frame for the completion of the rehabilitation, and the disbursement schedule is not fixed either, simply dependent on the submission of invoices by the contractor. Contrary to the practices of other organizations, MHT does not provide a maximum loan amount but rather stipulates that the loan amount must not exceed 80% of the appraised value of the property post-rehabilitation. For an acquisition project, the stipulation is similar—the loan amount must not exceed 80% of the current appraised value of the property. As of April 7, 2011 the approximate balance in the loan fund was \$240,000, and the organization had twenty-one active loans. As the organization does not have a fixed maximum loan amount, Raines admits that technically the size of the fund does limit the ability for MHT to issue loans.

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<sup>209</sup> Ibid., 9.

### **Loan Fund Operation**

The application review is undertaken by the MHT staff, as well as with State underwriters. Following this initial review the MHT staff will make a recommendation to the Board of Trustees. Once the Board of Trustees approves the loan, the application is sent to the Secretary of the Maryland Department of Planning, and then to the Board of Public Works for final approval.

### **Loan Fund Success**

As of April 8, 2011, 55 loans had been granted since the establishment of the fund, and according to Raines, only a few have not been repaid on time. Additionally, any time that the fund has come close to being depleted, the General Assembly has approved additional funds to support the loan program. In a phone interview, Richard Brand, the former Capital Grants and Loans Administrator, pointed out a few issues that he believed plagued the fund. The primary one is marketing. Although the fund information is available on Maryland Historical Trust's website, and local historic preservation commissions are aware of the fund, outside of the world of preservation the fund is not well known. Preservation non-profit organizations that are aware of the program are often more interested in the grant program than the loan program if they are eligible. Finally, Brand says that the easement requirement would often discourage prospective applicants to the loan program because of their fear of a decline in property value. When asked how he defined success, Brand cited a project on the Eastern Shore in which a non-profit organization bought a condemned building, rehabilitated it beautifully

using loan money, and sold it with an attached easement, adding, “When the program did what it was supposed to do.”<sup>210</sup>

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<sup>210</sup> Richard Brand, interview with the author, April 7, 2011.

## **7.4 New Jersey Historic Trust**

*Trenton, NJ*

### **Establishment of the Loan Fund**

Founded in 1967, the mission of the New Jersey Historic Trust is: “to advance historic preservation in New Jersey for the benefit of future generations through education, stewardship and financial investment programs that save our heritage and strengthen our communities.”<sup>211</sup> In the late 1980s, inspired by a series of articles about crumbling historic resources, New Jersey Historic Trust’s Loan fund was established in 1987 and funded through a state bond program with \$3 million in 1991.

### **Building Eligibility**

In order to be eligible for a loan, the property must be individually listed on the State or National Register of Historic Places, or located within a listed district (either State or National Register), “included in a thematic listing of historic resources in the National or State Register of Historic Places,” or is eligible for listing as determined by the Deputy State Historic Preservation Officer.<sup>212</sup>

### **Project Eligibility**

New Jersey Historic Trust loans are available to non-profit organizations and agencies of county or municipal governments. According to Dorothy Guzzo, Executive Director of the New Jersey Historic Trust, nonprofit organizations are the most common borrowers. The New Jersey Historic Preservation Revolving Loan Fund Guidelines state: “Loans will be made for the preservation, improvement, restoration, rehabilitation, and

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<sup>211</sup> “About the Trust: The Mission of the Trust,” New Jersey Historic Trust, accessed March 23, 2011, <http://www.njht.org/dca/njht/about/#1>.

<sup>212</sup> “New Jersey Historic Preservation Revolving Fund Guidelines & Application Part A,” New Jersey Historic Trust, 2.



acquisition of historic properties,” and justifiably the NJ Trust does not require that the ownership entity have owned the property for a minimum period, nor do they require that the ownership entity maintain ownership for a certain amount of time after the rehabilitation is completed. In order to prove that the municipal or nonprofit organization has the ability to repay the loan, the NJ Historic Trust requires, “information pertaining to source(s) of funds, projected income statements, and previous years’ annual financial statements as requested by the Trust.”<sup>213</sup> Because of the historic district or register listing requirements of the loan, work done on the property is required to meet the Secretary of the Interior’s *Standards for Rehabilitation*. In addition, NJ Historic Trust requires that the contractor have previous restoration or rehabilitation experience. The funds can be used for both interior and exterior rehabilitation or restoration of a building, and NJ Historic Trust requires that the property owner have insurance.

### **Loan Fund Structure**

New Jersey Historic Trust partners with the New Jersey Economic Development Corporation to service the loan. One important distinction noted in the program guidelines of New Jersey Historic Trust is: “Review of applications and action on requests normally take a minimum of three months. All loan awards must receive legislative approval before disbursement.”<sup>214</sup> According to the Administrative Code, the disbursements can either be made in one or more installments, “at the discretion of the Trust.” The Trust protects their investment in a property by using the property as

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<sup>213</sup> New Jersey Administrative Code, “Title 5. Department of Community Affairs Chapter 102. Historic Preservation Revolving Loan Program Subchapter 3. Historic Preservation Loan Application Process. N.J.A.C. 5:102-3.1.

<sup>214</sup> “New Jersey Historic Preservation Revolving Fund Guidelines & Application Part A,” New Jersey Historic Trust, 4.

collateral and having the ability to foreclose, and does not require the attachment of deed covenants or liens. According to Guzzo, NJ Historic Trust will “ask for collateral, and many of the organizations use their endowment fund or individual pledges.”<sup>215</sup>

New Jersey Historic Trust’s loan fund has an interest rate that is calculated as ½% below the prime rate, with a cap of 4%. The loan term is a maximum of twenty years, although this is also determined on a case-by-case basis. The minimum loan is \$25,000 and according to the guidelines, the maximum loan amount “cannot exceed 15 percent of the available loan fund balance as of the fiscal year (July 1) in which the application is submitted.”<sup>216</sup>

### **Loan Fund Operation**

NJ Historic Trust will receive and review the applications, as well as meet with applicants, at which point the New Jersey Economic Development Corporation prepares the loan agreement. Payments made by the borrower are made to the New Jersey Economic Development Corporation, and then transferred to NJ Historic Trust. The application process for a loan from the Historic Preservation Revolving Loan Fund at New Jersey Historic Trust is in two parts. When New Jersey Historic Trust receives the “Part A Pre-Application” it is reviewed by the Trust’s Acquisitions, Grants, and Loans Committee. Eligible applicants then will be asked to submit the “Part B Application,” which includes the non-refundable \$100 application fee. The Committee then reviews the “Part B Application” and submits it to the Board of Trustees, which makes the final decision.

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<sup>215</sup> Dorothy Guzzo, interview with the author, November 10, 2010.

<sup>216</sup> “New Jersey Historic Preservation Revolving Fund Guidelines & Application Part A,” New Jersey Historic Trust, 3.

### Loan Fund Success

Since the establishment of the fund in 1991, New Jersey Historic Trust has given out only four loans, and rejected one applicant. So far the size of the funds available to the loan program have not hindered the organization's ability to give out loans. The fund balance has never been depleted, although it has not increased through interest payments either, maintaining a balance close to the original \$3 million. And according to Guzzo, the loans have been repaid on time.

Even though New Jersey Historic Trust does not do any marketing for their loan program, Guzzo believes that it "would be a good idea, because there are a lot of municipalities looking for money."<sup>217</sup> Guzzo sees the New Jersey government as the primary threat to the loan fund because they have the ability to take away the fund's money. In addition, because the loan program statutes were voted into law, in order to make any changes to the program, to either simplify the administration or to expand the eligible applicant pool, the organization would have to go back to the voters, and in an economy like this the voters may question the need for money to be appropriated for historic preservation loans. Guzzo's measurements of success focus on making good loans to borrowers who pay back the fund in a timely fashion and comply with all the terms of the loan.

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<sup>217</sup> Dorothy Guzzo, interview with the author, November 10, 2010.

## **7.5 New Mexico Historic Preservation Division**

*Sante Fe, New Mexico*

### **Establishment of the Loan Program**

Established in 1968, following the passage of the 1966 National Historic Preservation Act, the New Mexico Historic Preservation Division is the State Historic Preservation Office of New Mexico, with a mission to “Protect, preserve, and interpret the unique character of New Mexico.”<sup>218</sup> The Preservation Loan Fund was created in 1987, when the National Trust for Historic Preservation challenged the SHPO to raise money for a loan program, and offered to contribute money to a fund if the state could match the grant. This challenge resulted in the passage of the New Mexico Historic Preservation Loan Act (N.M. Stat. 18-6-18 through 18-6-23), which outlined the purpose of the fund:

The purpose of the Historic Preservation Loan Act is to provide owners of registered cultural properties in New Mexico with low-cost financial assistance in the restoration, rehabilitation and repair of properties listed in the state register of cultural properties or national register of historic places, which are a part of the state’s heritage and which contribute substantially to the state’s economic well being and to a sound and proper balance between preservation and development, through the creation of a self-sustaining revolving loan program to rehabilitate, repair and restore historic properties.<sup>219</sup>

Senator Stoddard and his colleagues in the NM Legislature carried the two bills, resulting in the passing of the Historic Preservation Loan Act. When the state statute was passed,

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<sup>218</sup> “New Mexico Historic Preservation Division, Mission & Duties,” New Mexico Historic Preservation Division, accessed March 23, 2011, [http://www.nmhistoricpreservation.org/about/npd\\_mission.html](http://www.nmhistoricpreservation.org/about/npd_mission.html).

<sup>219</sup> New Mexico Historic Preservation Loan Act, N.M. Stat. 18-16-18 through 18-6-23, 18-6-19. Purpose.

legislative funding was put into place, which was then matched by a grant from the National Trust for Historic Preservation.

Inspired by the loan program at the National Trust for Historic Preservation, the loan program at the New Mexico Historic Preservation Division was fortunate to have the support of the National Trust while the fund was in its early stages. According to Dorothy Victor, Historic Preservation Specialist at the Division, the National Trust for Historic Preservation were co-lenders with local banks, and lenders of record on one of the early loans (Belen Hotel loan) for which they assisted the Division with all of the loan servicing.

### **Building Eligibility**

The New Mexico Historic Preservation Division requires that the property be on the New Mexico State Register of Cultural Properties, either individually listed or contributing within a district. It is important to note that in the state of New Mexico all National Register districts and properties are also state register districts and properties. Since the loan is statewide, there is no particular geographic area that the Division focuses on. However, according to Victor, a lot of early applications come from the Albuquerque area where there are a good number of both local and national register districts, as well as very sophisticated neighborhood associations. However, the state statute does require that the loans have a certain geographic distribution. New Mexico Historic Preservation Division will also make loans to tax credit projects, and according to Dorothy Victor, Preservation Specialist at the Division, most of the projects that Division loans to are pursuing tax credits.

## **Project Eligibility**

Individuals, small businesses and non-profit organizations are all eligible for loans from the Preservation Loan Fund; businesses are the most frequent applicants. In addition to owners, loan funds are also available to those holding a lease of five years or more on a particular property. The New Mexico Historic Preservation Division does not require that the ownership entity have owned the property for a certain amount of time, nor do they have to maintain ownership for a minimum period after the rehabilitation project is completed. However, upon loan closing, the Division attaches a covenant to the deed, which protects the property and requires the owners to maintain the property: “Repay the loan and maintain the property as restored, rehabilitated or repaired for at least seven years.”<sup>220</sup> The staff at the Division monitors this protective covenant. Also included in the deed covenant is a stipulation that the owner must maintain a specific insurance coverage for the property at all times. In order to prove that the owner has the ability to repay the loan, the Division requires financials, a business plan, viable use for the property, and credit history. The loan funds from the Division can be used for rehabilitation, as well as code compliance, but not for acquisition. “Eligible costs for loan fund assistance include: architectural, engineering, and planning fees; inspection of work in progress; contracted restoration, rehabilitation, and repair; and work necessary to meet code requirements.”<sup>221</sup> As a result of the register requirement, all the work done on the properties must meet the Secretary of the Interior’s *Standards for Rehabilitation*. The contractor employed by the applicant is not required to have previous

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<sup>220</sup> Dorothy Victor, “The New Mexico Historic Preservation Loan Fund in a Nutshell,” August 9, 2010.

<sup>221</sup> Ibid.

restoration/rehabilitation experience, and property owners are also eligible to complete some of their own work.

### **Loan Fund Structure**

The structure of the Preservation Loan Fund at New Mexico Historic Preservation Division differs from that of some of the other programs in that office. The Division is partnered with a bank to distribute and evaluate the loans, and the property owner will receive loan funds from both the Division and from a private bank. According to Dorothy Victor, the “income tax return and financial nitty gritty are handled by the bank.”<sup>222</sup> Because of this partnership arrangement, the interest rate on the money from the Preservation Loan Fund and that from the lending institution (i.e. commercial bank, lending institution, or savings and loan) are different. The interest rate on the Preservation Loan Fund money is fixed at 3%, over a five-year term, with monthly payments amortized on a 10-20 year schedule with a balloon payment at the end of the five-year term. According to Victor, the Division would be satisfied for a time frame of 24 months on completion of the rehabilitation; however, the bank prefers 12 months, so typically the Division requires a 12-month completion time. However, the lending partner or bank will put forth its own terms and its own interest rate. The maximum amount that can be loaned from the Preservation Loan Fund is \$200,000, and the minimum is between \$7,000 and \$8,000. According to Victor, “That’s the least that the state will put into a loan. There is a lot of paperwork, and they really prefer not to loan less than \$10,000.”<sup>223</sup> It is important to note that the New Mexico Historic Preservation

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<sup>222</sup> Dorothy Victor, interview with the author, November 9, 2010.

<sup>223</sup> Ibid.

Division is part of the Department of Cultural Affairs, which has the final say on making the loan—the Division is not autonomous. Victor adds, “There are layers of decision making and accounting that are far beyond the decisions of the Division.”<sup>224</sup> And there have been instances where due to budget cutbacks or financial stress, the Department of Cultural affairs has suspended the Division’s ability to give out loans, a situation which Victor refers to as “a real learning experience for everyone.”<sup>225</sup>

Originally the loan fund was \$100,000, however over the years four separate allocations have been added to the fund by the state legislature. Today the fund has given out 13 loans in total, and the Division has four active loans, which is equal to approximately \$245,000 in outstanding loan dollars. The available balance of the fund is \$250,000, and so far the size of the loan fund has yet to hinder the organization’s ability to give out loans, although according to Victor, they “have come close.”<sup>226</sup>

### **Loan Fund Operation**

Dorothy Victor, Preservation Specialist, and the office Financial Specialist are the only staff members responsible for managing the loan program, and the loan fund is not their only responsibility at the Division. Victor admits that although “Forty percent of my time is supposed to be spent on the loan fund, but I only have about twenty-five percent.”<sup>227</sup> When reviewing the applications, the New Mexico Historic Preservation Division works with the Director and the New Mexico Cultural Properties Review Committee to ensure compliance with the Criteria Guidelines and Priority Ranking put

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<sup>224</sup> Ibid.

<sup>225</sup> Ibid.

<sup>226</sup> Ibid.

<sup>227</sup> Ibid.



forth by the statute, which requires as items under review: the severity of deterioration of the property, degree of construction detail provided by the applicant indicating project feasibility, geographic distribution of recent projects, and the availability of a lending institution to partner with the division on the loan.

### **Loan Fund Success**

Since 1987, the Division has made 13 loans. Over the years there have been approximately twenty-five applicants to which the Division did not grant a loan. When asked whether the loans have been repaid on time, Victor explains that with some of the larger loan amounts, the property owner has a hard time paying it back within the five-year time frame. Unfortunately, the Division “does not have a mechanism for a loan extension,” and so whenever a borrower needs additional time, the Division puts together an entirely new loan agreement.<sup>228</sup> Of four currently active loans, one of them is currently in foreclosure—a hotel hit by the 2008 economic downturn. Another loan for a low-income housing project in a rural community continues to pay a minimal monthly payment, as the owners are unable to find low-income tenants for the building.

Victor sees the primary threats to the fund as both the economy and the state’s budget responsibilities as set by the legislature. There is a concern that the legislature, because of the current economic climate, will decide to take away the funding for the loan program. In addition, Victor says that there is always difficulty in finding banks that will work with the Historic Preservation Division. As it relates to how she measures success Victor believes that because of the state government’s role in the Division’s loan process, “A lot of people will look at how many loans you’re doing, but if New Mexico

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<sup>228</sup> Ibid.

does two loans a year then we have done a whole lot of persuading.” She sees success as “preservation—is a building saved? Is a building reused? Has the rehabilitation benefited the community? —Getting a building back into service.”<sup>229</sup>

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<sup>229</sup> Ibid.

## Chapter Eight: Analysis & Recommendation

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So how does one measure the success of these fifteen different revolving loan funds? In order to determine how to measure their success, one must confirm that the implementation of the respective funds supports the stated goal of each revolving loan fund. Unlike a traditional construction loan disbursed by a bank, where the interest in the project is primarily financial, the revolving loan fund serves the additional purpose of historic preservation. If one were to measure the success of these programs against the goals put forth by a traditional lending institution, very few would be deemed successful. The organizations' willingness to take on less financially feasible projects and the frequency with which they give loan extensions do not match up with some of the more stringent guidelines put forth by banks and other traditional lenders.

The flexible terms of the revolving loan funds indicate that although the organization's purpose is twofold, in most every case purely financial criteria are secondary to the hoped for success of a good preservation project. And it should. Arthur Ziegler Jr., President of Pittsburgh History and Landmarks, illustrated this point perfectly with his response to the author's first question, "how do you measure success?" when he said, "Loans that result in restored buildings that lead to restored neighborhoods and business districts...and that the money returns and revolves."<sup>230</sup> Unlike a bank, the mission of these organizations is directed towards preservation, and when asked about the establishment of their programs and the goals at the outset, the managers and directors of these revolving loan funds each talked about neighborhood revitalization, outreach,

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<sup>230</sup> Arthur Ziegler Jr., interview with the author, February 7, 2011.

preservation education and providing funding to homeowners for preservation projects that were not available for funding from other more traditional lenders. If the definition of success is attaining one's goals, then in all but a few cases, the organizations have achieved success through the operation of their revolving loan funds.

Historic preservation loan funds are a successful if underutilized preservation tool. In looking to the future this thesis has compiled a list of best practices, which when combined, will act as the recommendation for the establishment of future programs. In addition, this layout of best practices may help inform current individual loan fund administrators about some of the tools that have been useful in other like organizations. Because all of the organizations surveyed identified preservation as their primary goal, for the purposes of this analysis the author interpreted success as the number of loans made, because that represented the number of preservation projects that had been undertaken. Although this is not the only way to interpret success, success can be achieved through a single project that influences an entire neighborhood, for the purposes of this thesis in an effort to quantify some of the qualitative information gathered, volume of loans is the measurement tool.

## 8.1 Establishment of the Loan Fund

### Analysis

These fifteen organizations have been established in various ways over the years. For some programs it was a single board member, like Jim Marshall at Historic Macon Foundation, who pushed for the establishment of a loan program for residents who were unable to rehabilitate their historic homes, or a benefactor like Eli Lilly, who endowed the early revolving fund at Indiana Landmarks. Some of the loan funds operated by government entities were even established with the passing of a seemingly unrelated law. In both Colorado, at the CHF Revolving Loan Fund, and in Deadwood, South Dakota at the Deadwood Historic Preservation Commission, legalized gaming was the impetus for allocating money to historic preservation loan funds, although the former is a non-profit organization.

Looking at the sensitivity analysis in the Success Matrix (Appendix D), it is apparent that non-profit organizations have fared much better than the government entities in the key metric of average number of loans per year: six for the non-profit organizations and one for the government entities.<sup>231</sup> The inherent difference between the two types of organizations is flexibility. Non-profit organizations have only to consult their Board of Directors or a Loan Committee regarding a loan approval, whereas at a government agency the application typically has to flow through many additional channels before the historic preservation entity can approve the loan. Furthermore, if any parts of the application process need to be changed, the staff at the non-profit

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<sup>231</sup> It is important to note that this calculation is very simple, and only seeks to provide a quick sense of the difference in loan amounts.

organization simply has to approach their board, whereas at a government entity, such as New Jersey Historic Trust, because a referendum was approved by the voters to create the loan fund, “you can’t change it unless you go back to the voters, because of the way the fund was established.”<sup>232</sup>

The New Jersey Historic Trust has closed only four loans in 19 years. Its Part A Pre-Application states, “Review of applications and action on requests normally takes a minimum of three months.”<sup>233</sup> According to Dorothy Guzzo, Executive Director of the New Jersey Historic Trust, many applicants decide not to apply during this three month time period.<sup>234</sup> Guzzo believes that during the review process, applicants become aware of grant programs and choose not to apply for loans. This may indicate that the loan review process at New Jersey Historic Trust is perhaps too long, and that applicants get discouraged and look elsewhere for funds. As mentioned above, the structure of the loan fund is not easily changed, because it requires that the NJ Historic Trust go back on the ballot as a referendum for changes they are looking to make. According to Guzzo, the fear here is that voters will decide that in economic times like these an historic preservation loan fund is not the best use of the voters’ money, and that the money would be better served elsewhere.

Another government entity, New Mexico Historic Preservation Division, which has closed only 13 loans in 23 years, similarly lacks flexibility. As mentioned earlier, according to Dorothy Victor, Preservation Specialist, “The Division is part of the

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<sup>232</sup> Dorothy Guzzo, interview with the author, November 10, 2010.

<sup>233</sup> “Historic Preservation Revolving Loan Fund Guidelines & Pre-Application Part A,” New Jersey Historic Trust, March 29, 2011.

<sup>234</sup> Dorothy Guzzo, interview with the author, November 10, 2010.

Department of Cultural Affairs, which has the final say on making the loan. There are layers of decision making and accounting that are beyond the Division.”<sup>235</sup> Like New Jersey Historic Trust, the New Mexico Historic Preservation Division is beholden to those with the power, and lacks the flexibility to make unilateral changes to their program or to speed up the application processes.

It is important to note that the two government entities mentioned above are both statewide historic preservation agencies. The municipal historic preservation commissions of the City of Dubuque, IA and the City of Deadwood, SD have fared better than their statewide counterparts, albeit not better than non-profit organizations. However, citywide organizations, both non-profit and government, fared better over all, with an average of eight loans per year, compared to the statewide organization average of two loans per year. This may be the result of the citywide organizations having better access to and understanding of their market. In Providence, Rhode Island, at Providence Revolving Fund, Executive Director Clark Schoettle employs loan advisory committees in two of the neighborhoods in which the organization makes loans. These loan advisory committees act as the eyes and ears on the street for Providence Revolving Fund, and they will often give a character reference for the loan applicant. According to Schoettle, this practice has “allowed the core neighborhood group to feel vested in what Providence Revolving Fund does in their neighborhood,” and additionally, has enabled Providence Revolving Fund to better understand some of the neighborhoods that they work in.<sup>236</sup> Statewide organizations, whether government or non-profit, do not have the opportunity

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<sup>235</sup> Dorothy Victor, interview with the author, November 9, 2010.

<sup>236</sup> Clark Schoettle, interview with the author, November 30, 2010.

to utilize avenues such as these, which not only provide Providence Revolving Fund with information that equips them to make better loans in a given neighborhood in the future, but also makes the organization a presence in the neighborhood, which in turn serves marketing purposes for the loan fund. In New York City at The New York Landmarks Conservancy, according to former Program Coordinator Ashley Hahn, the staff will often go to community meetings organized by neighborhood associations or block associations to make presentations about the loan fund. Again, this is the type of local outreach that statewide organizations cannot typically perform, which can result in more inquiries and applications to the loan fund, which inevitably results in more loans closed.

The one exception to the statewide vs. citywide analysis above is Indiana Landmarks, which has made 238 loans in over thirty years. Although Indiana Landmarks is a statewide non-profit preservation organization headquartered in Indianapolis, it has the benefit of eight regional offices throughout the state. Executive Director Mark Dollase has eight regional directors who present him with loan fund applicants. These regional offices allow Indiana Landmarks to cast a wider net as a state organization, and yet still establish relationships at the local level.

An additional layer to the non-profit organization discussion involves by non-profit organizations, which established their loan fund as a separate entity, often a separate 501(c)(3). For example, in Providence, Rhode Island, the idea for an organization that would provide financing and technical assistance to neighborhoods was put forth by the Providence Preservation Society, which established the Providence Revolving Fund as a separate non-profit organization, with its own staff and board of directors. Similarly, in Colorado, the CHF Revolving Loan Fund is a subsidiary of the



Colorado Historical Foundation, and also has its own 501(c)(3) designation and separate board of directors and The Historic Properties Fund Inc., at The New York Landmarks Conservancy is also its own 501(c)(3), administered by the Conservancy. Having a separate non-profit organization that administers the loan fund is beneficial, particularly from a financial standpoint. Administration costs associated with the loan fund, such as staff salaries, marketing costs, and general operating, are all compiled on the balance sheet of the separate 501(c)(3). In this way, the fund is run as its own separate entity and does not put strain on the original non-profit organization and its activities.

### **Recommendation**

Based on the simple sensitivity analysis mentioned above (Appendix D), utilizing a non-profit organization for the management and administration of a loan fund is most likely to result in a higher number of loans made per year.

In addition, citywide organizations seem to have better results than statewide organizations, but there is also the option of utilizing regional offices, such as Indiana Landmarks, to achieve results similar to the use of a citywide organization. It is important to note that a significant amount of funding presumably would be required to support separate regional offices, and they would have to be established gradually, over time.

Finally, establishing a separate but related non-profit organization from which to operate a loan fund is an option that alleviates stress on an already established non-profit with a mission encompassing more than just financial incentives for preservation, such as an organization that also includes stewardship of house museums or advocacy in their mission.

## **8.2 Building Eligibility**

### **Analysis**

As the mission of all fifteen of these organizations is historic preservation, the majority of the organizations require that the applicant's building either be located within a locally or nationally designated district, be individually listed on the local or National Register, or be eligible for local or national listing. This is common practice for all revolving funds—both acquisition funds and loan funds. Of all fifteen organizations, only two do not require that the property be in a listed district, individually listed, or eligible—Historic Macon Foundation and Indiana Landmarks.

At Historic Macon Foundation, in Macon, Georgia, Executive Director Josh Rogers explains that Historic Macon was awarded a \$100,000 grant from the John S. and James L. Knight Foundation for the revitalization of the College Hill neighborhood. So instead of a local or national register-listing requirement, Historic Macon requires that the property be located within the College Hill neighborhood. Although this is not a common practice, it has yielded maximum results. As of the fall of 2010, Historic Macon had made a total of twelve loans in a single year. It is important to require that a building be in a listed district or individually listed or eligible, but the practice used by Historic Macon shows the benefit of focusing within a single neighborhood.

At Indiana Landmarks, there is no such stipulation regarding specific neighborhoods, nor is there a requirement regarding location in a registered district or individual listing. Indiana Landmarks will approve applications where the property is either in a district that is eligible for listing, or the property is eligible for individual listing. Executive Director Dollase says, "I can think of a few properties in our inventory

right now that I don't think are in districts and aren't eligible," but having the property located in a registered district is "preferred."<sup>237</sup>

As in the single neighborhood focus of Historic Macon Foundation, the Historic Properties Fund at the New York Landmarks Conservancy focuses on specific neighborhoods that may not be listed, albeit in a different way. Although it is practice, not policy, the Historic Properties Fund focuses its efforts in low to moderate-income neighborhoods throughout New York City. The staff of the Historic Properties fund will do research in order to target a specific neighborhood and will focus its efforts on making multiple loans within that neighborhood. If the neighborhood is not listed either locally or nationally, the staff of the Historic Properties Fund will undertake a survey of the historic resources in that area and work with the New York State Historic Preservation Office to obtain a Determination of Eligibility. Although it is a common practice for these organizations to focus their efforts in low to moderate income neighborhoods, like in Providence, RI at the Providence Revolving Fund, few organizations will go so far as to obtain a Determination of Eligibility from the State Historic Preservation Office in order to make loans in a neighborhood that was not previously listed.

Of all the programs researched for this thesis, only four are located in states that do not have a State Historic Rehabilitation Tax Credit: Preservation Pennsylvania, Pittsburgh History and Landmarks, New Jersey Historic Trust, and City of Deadwood, South Dakota Historic Preservation Commission. Of these four organizations, only Pittsburgh History and Landmarks Foundation loans to commercial projects pursuing the

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<sup>237</sup> Mark Dollase, interview with the author, February 24, 2011.

Federal Rehabilitation Tax Credit.<sup>238</sup> Although Deadwood Historic Preservation Commission has the ability to loan to projects pursuing the tax credit, according to Finance Officer Mary Jo Nelson, the commission does not “target” those projects.”<sup>239</sup> Because Preservation Pennsylvania and New Jersey Historic Trust both loan primarily to non-profit organizations, the tax credit in any case does not apply.

The remaining eleven organizations are located in states that have a State Historic Rehabilitation Tax Credit. However, unlike most State Historic Rehabilitation Tax Credits, residential properties in Indiana are not eligible for the State Historic Rehabilitation Tax Credit. When a state’s Historic Rehabilitation Tax Credit does apply to residential properties, this can provide an additional incentive to loan fund applicants, or prospective loan fund applicants, to rehabilitate an historic building.

### **Recommendation**

As an overwhelming majority of organizations surveyed for this thesis require that the property for which the loan is made is located in an either locally or nationally listed district, or that the property be individually listed on the local or national register, or at least eligible, it is a common best practice to follow this example. However, it is the author’s belief that the practice of the staff at the Historic Properties fund at the New York Landmarks Conservancy is best. Focusing an organization’s efforts within a given neighborhood, whether it is over a certain period of time, or for the lifetime of the loan fund, has the potential to yield more comprehensive results. While an organization can

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<sup>239</sup> Mary Jo Nelson, interview with the author, April 8, 2011.

still have an impact doing projects throughout a city or town, the overall result or ripple effect may be more profound when used within a single neighborhood.

With regard to tax credit projects, there is no reason why an organization should not loan to projects for which the applicant is also pursuing the tax credit. Any combination of incentives that makes a worthwhile historic rehabilitation project more feasible better serves the mission of historic preservation.

## 8.3 Project Eligibility

### Analysis

Although the project eligibility constraints are different for many of these organizations, there are a few common threads. Of all fifteen organizations surveyed, only four organizations do not make loans to individuals: Indiana Landmarks, New Jersey Historic Trust, Pittsburgh History and Landmarks Foundation (PHLF), and Preservation Pennsylvania. These four all focus their efforts on loaning to non-profit organizations. In addition, Indiana Landmarks and Preservation Pennsylvania have made loans to municipalities or units of local government, whereas PHLF has also made loans to community development corporations.

Based on the sensitivity analysis done by the author (Appendix D), the organizations mentioned above that do not loan to individuals did not fare poorly when compared to their counterparts that do loan to individuals. On average, the four organizations mentioned above made four loans a year, where the remaining eleven organizations made five loans a year. However, PHLF and Indiana Landmarks are two of the most established organizations within the group, making on average seven and six loans a year respectively. New Jersey Historic Trust and Preservation Pennsylvania do not fare as well on average, with one and no loans a year respectively. Perhaps these two statewide programs could be improved by expanding the eligibility of applicants to include individuals. Interestingly enough, Providence Revolving Fund is the organization that on average has the most loans per year, and unlike any of the other organizations, they also offer loans to tenants in buildings downtown. Perhaps the ability to make loans

to a broader audience has allowed the organization to cast a wider net, and thus increase the number of loans that they make yearly.

None of the organizations surveyed required the applicant to have owned the property for a minimum amount of time, nor did any of them include a stipulation that the property owners continue their ownership of the property for a certain amount of time after the loan is closed. With regard to the proof that the organizations require to demonstrate the applicant's ability to repay the loan, each organization put forth a list of requirements that are very similar to those required by any other lending institution, with no exceptions. As these loan programs are financial, it is important to use many of the same proof of repayment and underwriting procedures as a typical bank would.

None of the organizations surveyed indicated that they necessarily targeted a specific income bracket. However, as mentioned above, there are those organizations that focus on making loans in neighborhoods that are low to moderate income, like the Historic Properties Fund at the Conservancy, or Providence Revolving Fund. But this is typically practice and not explicit policy. For Historic Macon, the organization loans in the College Hill neighborhood of Macon, which is a low to moderate-income neighborhood that was targeted by the Knight Foundation for revitalization.

New Jersey Historic Trust and Maryland Historical Trust, both government entities, are the only organizations whose loan amounts are related to the value of the property or the cost of the rehabilitation project. At Maryland Historical Trust, "the loan will not exceed 80% of the after rehabilitation appraised value of the assisted property, or

100% of the project costs, whichever is less.”<sup>240</sup> At the NJ Historic Trust, Loan amounts will be for a maximum of 40 percent of project funding for all public entities and will not exceed 90 percent of project funding for non-profit organizations. It is not clear whether this addition of percentages of total project cost or rehabilitated property value is a hindrance to these funds, or whether it is an issue that they have ever had to deal with in a loan situation.

Of all the organizations surveyed, each one of them indicated that there was an insurance requirement for applicants.

Although this thesis is about loan funds, some of the case study organizations operate both a loan fund and an acquisition fund. Providence Revolving Fund operates an acquisition fund alongside their loan fund. This is a strategy that according to Executive Director Clark Schoettle has worked really well for Providence Revolving Fund.<sup>241</sup> As a property owner, Schoettle says “if you know that the revolving fund is there and is helping with funds to fix up houses, but will also buy abandoned buildings down the street, it changes the level of confidence.”<sup>242</sup>

Different from an acquisition fund used alongside a loan fund is monies from a loan fund being used for acquisition. There are six organizations, Indiana Landmarks, Maryland Historical Trust, New Jersey Historic Trust, Pittsburgh History and Landmarks, Preservation League of NY State, and Preservation Pennsylvania, where applicants to the loan fund can use the monies borrowed not only for property rehabilitation, but for its

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<sup>240</sup> “MHT Capital Loan Program Guidelines,” Maryland Department of Planning and Maryland Historical Trust, date unknown, 11.

<sup>241</sup> Clark Schoettle, interview with the author, November 30, 2010.

<sup>242</sup> Ibid.



acquisition as well. In this sense the loan becomes more like a mortgage than a construction loan. This opportunity to use the loan money for acquisition is an additional incentive for borrowers, and again, may have the ability to entice those less likely to purchase an older property. According to Michael Sriprasert, Director of Real Estate Development for PHLF, acquisition and rehabilitation go well hand in hand. However, the organization does not require that one use funds for rehabilitation along with acquisition. This goes for all five organizations, which will loan monies for acquisition: acquisition and rehabilitation need not go hand in hand. At Preservation Pennsylvania, Executive Director Mindy Crawford says, “usually the two don’t go hand in hand, it tends to be one or the other, but we get a pretty good mix of both.”<sup>243</sup>

There is no clear indication of whether enabling the loan monies to be used for both acquisition and rehabilitation has a positive or negative impact on the loan fund. None of the loan fund administrators interviewed indicated it as a negative, but rather as mentioned above, commented on how well the two work together. It is important to note that in order to loan money for both acquisition and rehabilitation, the maximum loan amount would have to be higher than if the organization were simply loaning money for façade rehabilitations.

Aside from acquisition and rehabilitation, the Preservation League of New York State offers money for moving historic buildings, and Maryland Historical Trust’s loan money can be used for refinancing. Neither organization gave the author an example of when these different uses of the loan fund money were utilized, however they are present in the loan fund documents for both organizations. Regarding the movement of

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<sup>243</sup> Mindy Crawford, interview with the author, November 15, 2010.

buildings, this is a practice that occurs so rarely that it may not be necessary to include in loan documents, but rather handled on a case-by-case basis. Although the refinancing offered by Maryland Historical Trust is most likely helpful, it does not seem as aligned with the mission of the fund as rehabilitation or acquisition since the refinancing does not physically aide the structure. However, one might argue that without refinancing, a project or mortgage on an historic home could go into default, making the property vulnerable and ripe for saving.

The Secretary of the Interior's *Standards for Rehabilitation* (SOI Standards) are the guidelines used by both locally and nationally listed historic districts throughout the country. Providence Revolving Fund does many of the detail drawings in-house, to ensure SOI compliance. Of all the organizations interviewed for this thesis, only two do not require that a project comply with the SOI *Standards*, and this is because these programs are unique in one way or another. Josh Rogers, Executive Director at Historic Macon Foundation, explains that because their loan monies will cover anything from a public right of way, fences, porch lights, gardens, then the SOI *Standards* do not necessarily apply.<sup>244</sup> However, Historic Macon's loan fund focuses on the College Hill neighborhood in Macon, part of the Macon Historic District, and listed on the National Register of Historic Places. This means that the State Historic Preservation Office will require that, when pertinent, work done on the houses within the district comply with the SOI *Standards*. However, not every project will include construction or rehabilitation of the properties, so the SOI *Standards* are not always applicable. For an organization which has such a wide range of projects that are eligible for financing, from something as

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<sup>244</sup> Josh Rogers, interview with the author, November 10, 2010.

simple as painting a fence, to full façade rehabilitation, the SOI *Standards* do not directly apply to all of their projects, because not all will be reviewed by the State Historic Preservation Office.

At Pittsburgh History and Landmarks Foundation and Landmarks Community Capital Corporation, the property is not required to be in a listed district, or listed individually—the program is really focused on low to moderate income neighborhoods within the Pittsburgh region. It goes without saying that if a property is located within one of Pittsburgh’s twelve historic districts, approval of the project plans will be required from the Pennsylvania State Historic Preservation Office, or the Historic Review Commission. However, if the property is not located in a listed district, or individually listed as a landmark, Pittsburgh History and Landmarks Foundation does not require compliance with SOI *Standards*, but they do require that PHLF have design input. Although the organization has a preservation mission, PHLF is primarily focused on neighborhood revitalization in low-income districts, and SOI *Standards* compliance is not a top priority.

Most of the organizations’ administrators interviewed for this thesis indicated that the contractors used by the applicants were not required to have previous rehabilitation experience. However, most of them quickly followed up by saying that it was preferred, or that it was helpful if the contractor did have prior experience on a similar project. Both Providence Revolving Fund and the Historic Properties Fund at the New York Landmarks Conservancy recommend contractors to the applicants whom the organizations have worked with previously. At the Conservancy, if the applicant wants to use a contractor that the organization has not previously worked with, they require that

the contractor submit a portfolio of examples of their work. In addition, staff members will visit some of the contractor's prior project sites to look at the properties and the quality of work. Although this practice initially requires more work on behalf of the staff, in the long run this practice may minimize the amount of oversight that the staff has to do during construction.

As mentioned above, Historic Macon Foundation's loan fund monies can be used for projects such as fence painting, and landscaping, which are not directly related to the structure on the property. This is unique, as the other organizations typically only fund work on the historic building itself, although the City of Dubuque Historic Preservation will fund rehabilitation of historic limestone retaining walls. Most of the organizations within this thesis focus on anything on the exterior of a building, but a few organizations fund interior work as well. The Historic Properties Fund at the Landmarks Conservancy will not do any interior work unless the work affects the exterior of the property. Also, many of the organizations will do some work on utilities, because of the importance of utilities to the overall "saving" of the building, although like Michael Sriprasert at PHLF, they feel that there are other funding sources that would be willing to cover utilities' costs.<sup>245</sup> Typically, the programs that have smaller maximum loan amounts are the ones that are focused on façade rehabilitations, like Historic Macon Foundation. In requiring that the small amount of money be used for exterior work, it ensures that the money will have an impact on the block. In addition, much of the interior work, such as kitchen and bathroom rehabilitation or HVAC installation, can be funded through other sources, and perhaps the expertise of an historic preservation entity is best served through a project on

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<sup>245</sup> Michael Sriprasert, interview with the author, January 20, 2011.

the exterior. In addition, it is more likely that exterior/façade rehabilitation projects will have a positive effect on the street, which in turn has the impact on neighborhood revitalization that is the goal of most of these organizations.

Interestingly enough, the majority of the organizations do not require that the property owner donate an easement on the property, nor does the organization attach a covenant to the deed. The general reasoning behind this is that since the properties are located within historic districts, they are already regulated by either the local preservation commission or by the state historic preservation office. Of the five organizations that require easements or deed covenants, four of them are statewide organizations. This may have something to do with the fact that since the organization is not local, they do not have the ability to monitor the property like a local organization could, and thus they secure the protection of the property through an easement, or in the case of Preservation Pennsylvania, a five year deed covenant. Although the easement requirement does make sense for some of the statewide organizations, it is important to note that it is not necessary if the property is located within a locally designated district. Under the guidelines of the district and the local preservation ordinances, the property should be properly protected. Because of the nature of easements, and the fact that they decrease property values, the requirement has the potential to dissuade loan fund applicants. Pittsburgh History and Landmarks requires the donation of easements, and although this is a local preservation organization, it is important for this group that they have an easement requirement as their projects are not required to be located within locally or nationally registered historic districts. In essence, without an easement requirement,

many of the properties will be vulnerable, and PHLF would like to limit that vulnerability as much as possible.

### **Recommendation**

It is the author's recommendation that when establishing a loan fund one should enable the fund to make loans to individuals. Although the sensitivity analysis (Appendix D) does not indicate a large disparity between those programs that loan to individuals and those that do not, the fact that the overwhelming majority of programs loan to individuals indicates that this is a best practice. Even though both Pittsburgh History and Landmarks Foundation and Indiana Landmarks do well loaning solely to non-profit organizations, both groups are heavily involved at the local level, and have had programs for over thirty years, which has allowed the two organizations to develop relationships with their prospective applicants, a feat not easily accomplished in the short term.

The author recommends that the organization wishing to establish a loan fund reference traditional bank lending practices regarding its underwriting processes and follow those for the best results.

Regarding whether to focus the loan fund in a low to moderate-income neighborhood, most of the organizations that do so indicated that this was practice and not policy. This is a decision that could be made by the organization after the fund is established, as there is no clear indication as to whether this choice has a positive or negative affect on the operation of the loan fund or the borrower's ability to repay the loan.

As mentioned above, there are several organizations where the money from the loan fund can be used for both the acquisition and rehabilitation of buildings. Each of the loan funds where this is the case are statewide organizations with higher maximum loan amounts overall, which means if an organization is establishing a citywide loan fund with a lower minimum loan amount, including acquisition in eligibility may not be the best use of funds.

The SOI *Standards* are required guidelines in all locally and nationally listed districts throughout the country, and so for those organizations that require the property be located within a nationally or locally listed district, they do not have a choice about complying with the SOI *Standards*. However, for those organizations that make loans to properties that are not in listed districts, the majority does not require that the building rehabilitation comply with the SOI *Standards*. Although there is no information to indicate that this practice has in any way affected the quality of those organization's rehabilitations, it is the recommendation of the author that for simplicity's sake the organization should require that the rehabilitation comply with the SOI *Standards*.

Using Providence Revolving Fund and the Historic Properties Fund at the New York Landmarks Conservancy as models, the author recommends that rather than requiring that the contractor have previous rehabilitation experience, the organization should establish relationships with a group of contractors whom they trust, and recommend that the borrowers use these contractors.

In order to make limited amounts of money go as far as possible, loan funds should be used for exterior or façade rehabilitations only. This will have the best overall

impact on a block, and will be most likely to spawn a ripple effect in the neighborhood—leading to more loans and more successful rehabilitations.

When the loan fund does not require that the property is located in a listed historic district, then the loan fund should require that the property owner donate an easement (like PHLF). If the organization requires that the property be located within a locally designated historic district, then an easement is not necessary as the property is adequately protected. The organization should encourage the donation of easements, but should not require it as it can be a disincentive for some prospective borrowers, as indicated by a few of the administrators interviewed.



## 8.4 Loan Fund Structure

### Analysis

Of the fifteen organizations surveyed for this thesis, five organizations partner with a separate agency in a part of the loan process. Four of the organizations are government entities, and it is common that they partner with other government entities at the city or state level. For example, the City of Dubuque Historic Preservation Commission partners with the Housing and Community Development Department, which aides the Commission with much of the underwriting and administrative duties of the loan. The New Jersey Historic Trust partners with the New Jersey Economic Development Corporation, the government entity in New Jersey with the authority to administer loans. It prepares the loan agreement on behalf of NJ Historic Trust, and receives the repayment checks from the loan recipient. It is common for government agencies to partner together, Dubuque Historic Preservation Commission with the Housing and Community Development Department, NJ Historic Trust with the New Jersey Economic Development Corporation, and Maryland Historical Trust with the State Comptroller's Office.

However, there are two public – private partnerships represented within the fifteen case studies and these are less common. CHF Revolving Loan Fund partners with the Colorado Housing and Financing Authority for some of the closing aspects of their loan process. The City of Deadwood Historic Preservation Commission partners with an organization called Neighborworks. Deadwood pays Neighborworks approximately \$85,000 per year to do most of the marketing for the loan fund. Neighborworks uses its website to market the loan fund as well as making up its own brochures. Additionally,

Neighborworks organizes “block clubs” throughout Deadwood, and they market the loan fund through the clubs.

This practice has worked extremely well for the City of Deadwood Historic Preservation Commission because, according to Mary Jo Nelson, with their combination of loan programs they make approximately three to four loans per month. Unfortunately the organization does not keep records of the number of loans, so this is just an estimate. However, this would mean that Deadwood makes more loans per year than any organization—and this partnership with Neighborworks is what sets them apart. Using the network of an additional organization for marketing purposes could be a model that can be copied. However, not every city has an organization like Neighborworks already in place, and thus a partnership like this likely could be established only when possible.

Among all fifteen loan funds there is an even distribution of interest rate calculations. Approximately half of the loan funds have an interest rate that is below prime or below market rate. Historic Columbus Foundation is interest free, and Indiana Landmarks has a staggered increase in interest rate during the 36-month loan term. Some of the organizations like the Historic Properties Fund Inc. at the Landmarks Conservancy establish an interest rate on a case-by-case basis. There are those organizations that have a fixed interest rate above prime or market rate: Preservation Pennsylvania and Pittsburgh History and Landmarks (typical, but determined on a case by case basis).

Most interesting is Providence Revolving Fund’s fixed interest rate of 6%. Compared to the interest rates mentioned by the other organizations this seems particularly high. However, Providence Revolving Fund provides a lot of services when it offers a loan at this fixed interest rate: drawn plans, technical assistance, management

of the bidding process, and supervision of the construction project. The interest rate accounts for all of these services performed by the staff of Providence Revolving Fund during the loan term. Providence Revolving Fund makes on average fifteen loans a year, which is more than any of the other fourteen organizations, so clearly this higher interest rate has not dissuaded any of the prospective borrowers. In fact, the 6% fixed interest rate may be attractive to borrowers who have little to no experience with historic buildings, or a rehabilitation project. While a construction loan or second mortgage from a more traditional lender might have a lower interest rate, prospective borrowers must see the benefit to the services that Providence Revolving Fund provides along with the 6% interest rate.

Of all the organizations interviewed for this thesis, the majority eight total, had loan terms less than five years. Five organizations have loan terms between six and ten years, and the remainder have loan terms more than ten years. There is no indication as to which structure is best, as the three best performing loan funds, based on average per year, each have different loan terms. However, for simplicity sake, and for the sake of the loan fund to continue to revolve, a shorter term is preferable, especially when an organization is first establishing a program. Three to five years is ideal.

In addition to variation in loan term length among the programs, there is also another important technical variation: making loans that are fully amortized versus loans that are interest only with a balloon payment at the end of the term. There are a few organizations, such as CHF Revolving Loan Fund, Preservation Pennsylvania, and Providence Revolving Fund, which have flexible terms that allow the borrower the option of either a fully amortized loan or one with a balloon payment at the end of the loan term.

New Mexico Historic Preservation Division is the only organization that offers an interest only loan with a balloon payment at the end of the term. Interestingly enough, they are also one of the only organizations that spoke of projects that had gone into foreclosure. This is not to suggest that the balloon payment at the end of the term was the reason for the foreclosure, but the balloon payment could have been a daunting prospect if a borrower was already behind in payments. All of the other organizations amortize the loan over the loan term. Based on the information regarding New Mexico Historic Preservation Division, and the fact that the overwhelming majority of the programs amortize the loans over the loan term, it seems this is a best practice. In addition, the fund gets replenished along the way, instead of all at the end. This allows the fund to revolve throughout the loan term.

Like any bank or traditional lender, the organizations that administer the loan funds have the ability to foreclose on the property. Unfortunately for most of the organizations, they are typically in a second position behind the bank that administers the mortgage for the property. This means that before the loan fund is repaid the money owed them, the bank must be paid. Often in the case of second mortgages, there is very little left for the second position holder. Although some organizations like Pittsburgh History and Landmarks sometimes find themselves in the first position, most organizations fall into second position behind the first mortgage. This is a major risk for the organizations operating loan funds. Taking into account some of the recommendations put forth below can mitigate this risk.

Even though there are fifteen organizations with variations in maximum loan amounts, the different amounts can be broken down into five groups: \$0-\$10,000;

\$11,000-\$25,000; \$26,000-\$50,000; \$51,000-\$75,000; and \$75,000+. However, some organizations do not operate within such specified limits. For example, Maryland Historical Trust and New Jersey Historic Trust calculate the loans based on value of the property or the rehabilitation work, and Utah Heritage Foundation has no loan maximum or minimum, the amount is determined through a pro-rated calculation based on the amount of money that is available in the fund at the time. Also, the City of Deadwood Historic Preservation Commission has different maximum loan amounts for their residential property loans and their commercial property loans.

The author ran a sensitivity analysis on loan funds with loan maximums under \$50,000 and loan funds with maximums over \$50,000. Loan funds that have a maximum loan amount of under \$50,000 made an average of seven loans a year, whereas the loan funds with maximum loan amounts over \$50,000 made an average of four loans a year. It is important to note that this analysis did not include Utah Heritage Foundation, Maryland Historical Trust, New Jersey Historic Trust, and City of Deadwood Historic Preservation Commission, on account of their unique structures. It is important to note the significant role that estimation played in the calculation, but the analyses indicates that organizations with loan amount under \$50,000 make on average more loans per year than those organizations with loan maximums above \$50,000. This is not surprising as lower maximum loan amounts allow the organization to make more loans with a given amount of money, which would result in a higher average number of loans per year.

It was typical across the board that each organization had loan fees associated with their loans. These loan fees are no different than many of the loan fees charged by a traditional lender.

Although these rehabilitation loans do not differ from construction loans much, there are some aspects of construction loans, such as disbursements or draw downs that do not apply to all of the organizations. For example, Providence Revolving Fund and the City of Dubuque Historic Preservation Commission disburse the funds as phases of the project are completed, whereas Preservation League of New York State will disburse the funds all at once at the beginning of the term, or in installments depending upon the project. This is not a question that lends itself to a sensitivity analysis based on how many loans are made per year, nor does the author feel that it has a significant impact on the outcome of the loans. The decision on how to structure the disbursements is based on the organization establishing the fund and what kind of staff time they have to devote to its management.

### **Recommendation**

The success of the partnership between City of Deadwood Historic Preservation Commission and Neighborworks is very successful, albeit unique. It is the author's recommendation that while such a partnership can be fruitful, as in the case of Deadwood; these partnerships should only be utilized if they are readily available, and should not necessarily be sought out. Covering the entirety of the process in house is the more common practice, and allows the organization to have more control over the process.

Offering an interest rate below the prime rate is the best option with regards to setting interest rates. Even though in these economic times this can be difficult, it will add an additional incentive to entice a prospective borrower. With regard to Providence Revolving Fund and its choice of a 6% fixed interest rate, this organization is offering a

bevy of technical services along with their loan. If the organization that wishes to establish a loan fund has the staff resources required to mount a loan program such as this one, then this is feasible. However, if the organization has limited staff resources then a sub prime interest rate should be chosen, and fewer technical services should be offered.

It is the author's recommendation that a loan term between three and five years be utilized for the purposes of simplicity, and the loan should be fully amortized over the course of the loan term. This is the practice utilized by the majority of the loan funds surveyed for this thesis, including those that have the best results.

Based on the sensitivity analysis regarding maximum loan amount, it is the author's recommendation that an organization establishing a loan fund should have a maximum loan amount under \$50,000. And based on the eleven loans a year made by Historic Columbus Foundation with a maximum loan amount of \$10,000, the lower the better.

Regarding loan fees, organizations should reference traditional loan underwriting practices and factor in any additional costs accrued by the organization during the underwriting process.

The disbursement of the loan monies is totally in the hands of the organization establishing the loan fund. Since there is no way to test this with a sensitivity analysis, and none of the loan funds interviewed by the author offered up any anecdotal information regarding the disbursement schedule, this is in the hands of the new loan fund administrators. It is important to take note of the staff time required for the varied disbursement options.

## **8.5 Loan Fund Operation**

### **Analysis**

Despite the amount of work associated with administering an historic preservation loan fund, very few of these organizations have any more than four people whose job it is to do work associated with the loan fund—and that is the high end. In most cases, as at the Preservation League of New York State, or CHF Revolving Loan Fund, there is but one staff member who manages the entirety of the loan fund. In some instances, as in Historic Macon Foundation, the organization only has three full time and two part time staff for the whole organization. In this case there is no staff directly associated with the loan fund, so all staff take part in some portion of the loan administration. At the Preservation League of New York State's EPIP, Treacy Sayres who administers the loan fund on her own, is only there two days a week.

The loan funds benefit when there are full time staff whose primary responsibility is the management of the loan fund. However, many of the organizations indicated that when they received money to establish a loan fund, whether by a grant or gift or government disbursement, money was not set aside to fund adequate staff for the administration of the fund. This is perhaps the most important aspect of the loan fund—enough staff to administer loans, manage the process, and provide technical assistance if the organization so chooses. This will depend on what aspects of the loan process the organization is handling in house. As mentioned previously, there are those organizations which partner with a bank or other local agency, and things like this should be taken into account when determining what monies are needed for staff salaries.



## **Recommendation**

The author recommends that the organization establish the loan fund with at least one full time person whose sole responsibility is the management of the loan fund. Depending on the size of the loan fund, and the frequency with which it makes loans, it would be ideal to have more than one staff member. However, as is the case with more than a few of the organizations interviewed for this thesis, a single staff member whose sole duty is the loan fund should be adequate.

## **8.6 Loan Fund Success**

### **Analysis**

A comparison of the fifteen loan funds surveyed for this thesis shows that the City of Deadwood makes on average more loans per year than any other fund, with 87 loans. However, this number is an estimate, and takes into account all of Deadwood's loan programs, which include programs that are half grant and half loan as well. Discounting Deadwood, Providence Revolving Fund has the largest number, with an average of 15 loans per year since the program's debut in 1980. Historic Columbus Foundation, a small program with short-term loans not exceeding \$10,000 comes in second with an average of 11 loans per year since their program was established in 1997. Third is the Historic Properties Fund at the New York Landmarks Conservancy, which was established in 1982 and makes an average of 8 loans per year.

Within this group of three, Historic Columbus is the outlier. While Historic Columbus is a small organization in a small city, with a fund that was established a little over ten years ago, both Providence and New York are seasoned loan funds with their own non-profit organizations, which operate the funds. These two programs both provide a considerable amount of technical assistance along with their loan funds as well. It is the author's belief that what allows Historic Columbus to compete with these two well established funds is the low maximum loan amount of \$10,000 that Historic Columbus offers. These small amounts allow Historic Columbus to loan more frequently, albeit for much smaller projects.

With regard to the lowest average number of loans per year, New Jersey Historic Trust makes an average of zero loans per year. In operation since 1991, it has only made

four loans. Aside from some of the statutory constraints and structural issues discussed above, there is only one assigned staff person, whose time is only partially dedicated to loan administration. There are five organizations which make an average of 1 loan per year: Colorado Historical Foundation, Preservation League of New York State, Preservation Pennsylvania, Maryland Historical Trust, and New Mexico Historic Preservation Division. This can be attributed to a variety of factors, but the common thread between them is that all these organizations are statewide organizations as opposed to citywide organizations. As mentioned previously, the average per loans a year in a citywide program is eight, as opposed to two for a statewide program. The analysis regarding statewide programs versus citywide programs can be found in the “Establishment of the Loan Fund” section of this chapter.

With some exceptions such as the Historic Properties Fund Inc. at the New York Landmarks Conservancy, the majority of the loan funds lack adequate funds for marketing, and could see their marketing approach improved. For many of the citywide programs, relying on word of mouth to spread the word about the loan fund can be more effective than it is with a statewide program. While Indiana Landmarks has the benefit of eight satellite offices that can spread information about the loan fund through word of mouth, other statewide organizations should find the funds to improve websites, print brochures, and get involved with social media.

The threats to these loan funds are a final consideration, and perhaps at the present economic moment the most important to those organizations looking to establish a loan fund. The overwhelming response from the loan fund administrators interviewed for this thesis was that they would like to have more resources for the fund. Many of the

organizations struggle to maintain the fund balance, and although the nature of these funds is revolving, as a result of frequent loan extensions and other circumstances, many of the funds do not actually revolve. However, there was variation in responses from the non-profit organizations, many of which indicated that they did not see any direct threats to the loan fund. The few comments that did not fall into either of these two categories are unique to specific programs, such as Preservation League of New York State and their search for funds to support a full time program manager position. As mentioned previously, since the mission of these organizations is primarily preservation based, and not the same as other lending institutions, capitalization of the fund is a constant and perhaps innate program hazard. Because of the preservation-based mission, the organizations are more likely to give loan extensions to projects in order to see the preservation take place than they are to make a decision that is weighted more in the financial well being of the organization itself.

### **Recommendation**

Again, it is the author's recommendation that organizations at the city level are most likely to have success with a loan fund, as indicated by the sensitivity analyses. In addition, for an organization newly establishing a loan fund, the model used by Historic Columbus Foundation, that of short-term loans with a maximum loan amount of \$10,000 is most likely best. However, as an organization becomes more experienced in the management of a loan fund structured in this way, there could be an opportunity to include more technical expertise and perhaps raise the interest rate as well as the loan amount.

Marketing is an aspect of the administration of a loan fund that cannot be ignored. When establishing a loan fund, it is the author's recommendation that the organization invest adequate funds into marketing through different channels.

As related above, the nature or mission of these organizations is to promote historic preservation. This makes it difficult to determine how to remedy the overall threats to the fund shared by the fifteen organizations. The organization has to walk a very fine line between preservation and the financial well being of the fund, and be prepared to make difficult decisions in the interest of the loan fund and the future projects that it can help finance.

## Chapter Nine: Conclusion

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Historic preservation and real estate finance are not obvious bedfellows, and historic preservation organizations are not banks. The historic preservation revolving loan fund blurs the lines between these two disciplines, turning preservationists like Mindy Crawford at Preservation Pennsylvania into bankers, and finance officers like Mary Jo Nelson at the City of Deadwood into preservationists. Despite the obvious differences, these preservation organizations are having a significant amount of success in their role as lending institutions. However, regardless of the altered roles, the organizations' missions and goals stay firmly rooted in historic preservation.

An organization with roots in historic preservation that go very deep, the Historic Charleston Foundation is the grandfather to all revolving funds, both acquisition and loan funds, and was the first organization to bridge the gap between historic preservation and real estate finance and development. Today, the organization continues to operate an acquisition fund, despite references within the revolving fund's founding documents to plans for a rehabilitation loan program. So what about a loan fund in Charleston? April Wood, Director of Easements and Technical Outreach at Historic Charleston Foundation sees the impact potential of a loan fund in Charleston that would continue to further the organization's mission, and decrease some of the financial strain on the organization inherent in the operation of an acquisition fund,

Over the last few years, we have found it increasingly difficult to sell the houses and recover enough money to roll the funds into the purchase of another property. Making smaller loans to homeowners for maintenance

repairs to their properties would enable us to stretch our funds more and make an impact on a larger percentage of the community.<sup>246</sup>

As mentioned above, and throughout this thesis, community impact is one of the hallmarks of a loan fund. A loan fund would not only have a physical impact on Charleston's historic neighborhoods, but would also expose Historic Charleston Foundation and its mission to a wider audience, with immeasurable effect. Wood recognizes the loan fund's ability to disseminate the preservation message more readily than a traditional acquisition fund, and sees the opportunity for HCF to develop a new constituency through a loan fund. Even though these loan funds may be few, they are effective. As recognized by April Wood at Historic Charleston Foundation, "Revising our revolving fund program to provide loans could help a different constituency and therefore increase our effectiveness in carrying out our mission."<sup>247</sup> And that mission, like the mission's of the fifteen organizations surveyed for this thesis, is historic preservation.

The fifteen case study comparison included in this thesis, is larger in scope than anything ever previously compiled on historic preservation loan funds. It is the goal of this thesis that the information could be used to aid an historic preservation organization interested in establishing a loan fund. While Chapter Six and Chapter Seven explain the structures of the fifteen organizations loan funds, and highlight their goals and missions; the chapters also provide access to a network of loan funds currently in operation (see Appendix E). It is the author's sincere hope that the analysis and recommendations

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<sup>246</sup> April Wood, questionnaire emailed to author, March 29, 2011.

<sup>247</sup> Ibid.

provided in Chapter Eight can be used as a loose framework for the establishment of a loan fund.

It is the responsibility of preservation organizations to make preservation and rehabilitation attractive, in order to better promote the historic preservation mission. Despite the financial uncertainty of some of the loan funds, en masse they are accomplishing their mission of preservation. Many of these loan funds act as rehabilitation incentives for prospective borrowers who would otherwise not consider purchasing or renovating an older property. Through the loan process, success is also achieved by teaching a property owner about the value of their building, and about the importance of historic preservation. Organizations like Pittsburgh History and Landmarks Foundation, Providence Revolving Fund, and the Deadwood Historic Preservation Commission get community groups involved not only to spread the word about the availability of this incentive, but to take part in the process as well. Policies such as these encourage neighborhood revitalization and help to resurrect pride of place. The effect of historic preservation loan funds can be seen on the street in neighborhoods where one homeowner's utilization of a loan fund has prompted their neighbors to apply for loans as well, or take on rehabilitation projects themselves. Whether it's a large loan for the rehabilitation of a brownstone in Brooklyn, New York, or a small loan to repaint a cottage in Macon, Georgia, the revolving loan fund is most certainly a worthwhile incentive for historic preservation.



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## Appendix A: Loan Fund Questionnaire

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### **Establishment of the Loan Fund**

- Is the organization a 501 c 3 or government entity?
- When was the loan fund established?
- Why was the loan fund established? What were the goals for the establishment of the fund?
- How was the loan fund established? I.e. a grant from an individual donor, passing of a law etc.
- Was there a loan fund program in another city/or state that the organization used as a model?

### **Building Eligibility**

- Does the organization require that the building be listed on the local or National Register? Or that it contributes to the character of a local or National Register district?
- If the organization is located within a city, does it have a preservation ordinance? How does that factor into the process?
- Does the building have to meet other (perhaps more specific) criteria?
- Is there a specific geographic area that the organization focuses on?
- Do you loan to tax credit projects?

### **Project Eligibility**

- Does the organization loan to individuals? To non-profits? To small businesses?
- If yes to the three above, which is the most frequent? If not to all three listed above, why not?
- Does the ownership entity have to have owned the property for a certain amount of time? After the rehabilitation, do they have to maintain ownership for a certain amount of time?
- What sort of “proof” of the ability to repay the loan does the organization require from the applicant?
- If the organization loan to individuals, does it target a specific income bracket?
- Are there any additional criteria that the building owner must meet? I.e. insurance coverage etc.
- Does the loan fund the acquisition of properties? Or just the rehabilitation?
- If for both acquisition and rehabilitation, which is more common? Or do they tend to go hand in hand?
- Is the work required to meet the secretary of the interior’s standards for rehabilitation?
- Is the contractor required to have previous preservation/rehabilitation experience?
- What is covered under the loan? Are there certain aspects of a project that are given higher priority?  
Do you require that the property owner donate an easement on the property?

### **Loan Fund Structure**

- Is the organization partnered with a bank or other agency to distribute the loan?
- Who evaluates, closes and secures all the loans?
- Is the interest rate below prime? If so, how much? Is the rate fixed or adjustable?
- How long is the loan term?
- Is there a time frame for the completion of the rehabilitation?
- How do you protect your investment?
- What is the maximum amount that can be loaned?
- What is the minimum amount that can be loaned?
- Are there any loan fees? For what? How much?
- Is there a disbursement schedule for the loan monies?
- Approximately how large is the loan fund?
- Does the size of the loan fund ever hinder the organization's ability to give out loans?
- Does the organization only maintain a certain number of "active" loans at a time?

### **Loan Fund Operation**

- Is there a staff person whose primary responsibility it is to manage the loan fund?  
Is there more than one?
- Can you describe some of the day-to-day responsibilities of that staff person?
- If there is more than one, with different titles, list them all and their roles in the loan process.

### **Loan Fund Success**

- How many loans have been granted since the establishment of the fund?
- How many applicants have there been since the establishment of the fund?
- Have the loans been repaid on time?
- Is the fund ever depleted?
- What are the primary threats to the fund?
- Are there any specific neighborhoods where the utilization of the loan fund has affected the character of the neighborhood?
- Are there any specific loan projects that you see as exemplary?
- What are the main avenues by which applicants learn of the loan fund?
- How do you measure success?



# Appendix C: Eligibility Matrix

	Who				What		Specific Income Bracket	Ownership time constraint	Insurance requirement	SOI Standards	Requirements			Geographic focus
	Individuals	Businesses	Non-profits	Municipalities	Acquisition	Rehabilitation					Rehab Experience	Listed District or Individual	Easement	
<b>Non-Profit Organizations</b>														
Colorado Historical Foundation	X	X	X	X		X			X	X		X		
Historic Columbus Foundation	X	X	X			X				X		X		
Historic Macon Foundation	X	X	X			X				X				X
Indiana Landmarks			X	X		X				X				
The New York Landmarks Conservancy	X		X			X			X	X		X		X
Pittsburg History & Landmarks Foundation			X			X			X					
Preservation League of NY State	X	X	X	X		X			X			X		
Preservation Pennsylvania			X	X		X			X	X				
Providence Revolving Fund	X	X	X			X			X	X		X		
Utah Heritage Foundation	X	X	X			X			X	X		X		

	Who				What		Specific Income Bracket	Ownership time constraint	Insurance requirement	SOI Standards	Requirements			Geographic focus
	Individuals	Businesses	Non-profits	Municipalities	Acquisition	Rehabilitation					Rehab Experience	Listed District or Individual	Easement	
<b>Government Entities</b>														
City of Des Moines, SD Historic Preservation Commission	X	X	X			X			X	X		X		
City of Dubuque, IA Historic Preservation Commission	X	X	X			X			X	X		X		
Maryland Historical Trust	X	X	X	X		X			X	X		X		
New Jersey Historic Trust	X	X	X	X		X			X	X		X		
New Mexico Historic Preservation Division	X	X	X			X			X	X		X		X

# Appendix D: Success Matrix

	Non-profit Organizations	# of loans	# of years	avg/year	Maximum Loan Amount				
					\$0-\$10k	\$10k-\$25k	\$26k-\$50k	\$51k-\$75k	\$75k +
1	Colorado Historical Foundation	10	8 (2003)	1					x
2	Historic Columbus Foundation	150	14 (1997)	11	x				
3	Historic Macon Foundation	12	2 (2009)	6	x				
4	Indiana Landmarks	238	37 (1974)	6				x	
5	The New York Landmarks Conservancy	220	28 (1982)	8					x
6	Pittsburgh History & Landmarks Foundation	173	26 (1985)	7					x
7	Preservation League of New York State	4	4 (2007)	1					x
8	Preservation Pennsylvania	31	28 (1982)	1			x		
9	Providence Revolving Fund	450	30 (1980)	15			x		
10	Utah Heritage Foundation	202	33 (approx.)	6	n/a	n/a	n/a	n/a	n/a
<b>Government Entities</b>									
1	City of Deadwood, SD Historic Preservation Commission	approx 3/4 mo.	29 (approx.)	87					x (com)
2	City of Dubuque, IA Historic Preservation Commission	26	9 (2001)	3		x			
3	Maryland Historical Trust	21	37 (1973)	1	n/a	n/a	n/a	n/a	n/a
4	New Jersey Historic Trust	4	19 (1991)	0	n/a	n/a	n/a	n/a	n/a
5	New Mexico Historic Preservation Division	13	23 (1987)	1					x
Avg. loans/year non-profit organizations		6							
Avg. loans/year government entities		1							
** not incl. Deadwood									
Avg. loans/year under \$50k max		7							
Avg. loans/year over \$50k max		4							
** not incl. UHF, MHT, NJHT, Deadwood									
Avg. loans/year in statewide pgm		2							
Avg. loans/year in citywide pgm		8							
** not incl. Deadwood									
Avg. loans/year citywide, under \$50k		8							
Avg. loans/year statewide, under \$50k		5							
Avg. loans/year citywide, over \$50k		6							
Avg. loans/year statewide, over \$50k		3							
Avg. loans/year orgs. loaning to individuals		5							
Avg. loans/year orgs. NOT loaning to individuals		4							
**not incl. Deadwood									

## Appendix E: Case Study Contact Information

<u>Organization</u>	<u>Web Address</u>	<u>Phone Number</u>
Colorado Historical Foundation	<a href="http://www.cohf.org/">http://www.cohf.org/</a>	303.894.2503
Historic Columbus Foundation	<a href="http://www.historiccolumbus.com/">http://www.historiccolumbus.com/</a>	706.322.0576
Historic Macon Foundation	<a href="http://www.historicmacon.org/">http://www.historicmacon.org/</a>	478.742.5084
Indiana Landmarks	<a href="http://www.indianalandmarks.org/">http://www.indianalandmarks.org/</a>	800.450.4534
The New York Landmarks Conservancy	<a href="http://www.nylandmarks.org/">http://www.nylandmarks.org/</a>	212.995.5260
Pittsburgh History & Landmarks Foundation	<a href="http://www.phlf.org/">http://www.phlf.org/</a>	412.471.5808
Preservation League of New York State	<a href="http://www.preservenys.org/">http://www.preservenys.org/</a>	518.462.5658
Preservation Pennsylvania	<a href="http://www.preservationpa.org/">http://www.preservationpa.org/</a>	717.234.2310
Providence Revolving Fund	<a href="http://www.revolvingfund.org/">http://www.revolvingfund.org/</a>	401.272.2760
Utah Heritage Foundation	<a href="http://www.utahheritagefoundation.com/">http://www.utahheritagefoundation.com/</a>	801.533.0858
City of Deadwood, SD Historic Preservation Commission	<a href="http://www.cityofdeadwood.com">http://www.cityofdeadwood.com</a>	605.578.2082
City of Dubuque, IA Historic Preservation Commission	<a href="http://www.cityofdubuque.org">http://www.cityofdubuque.org</a>	563.589.4210
Maryland Historical Trust	<a href="http://mht.maryland.gov/">http://mht.maryland.gov/</a>	410.514.7600
New Jersey Historic Trust	<a href="http://www.njht.org/">http://www.njht.org/</a>	609.984.0473
New Mexico Historic Preservation Division	<a href="http://www.nmhistoricpreservation.org/">http://www.nmhistoricpreservation.org/</a>	505-827-6320

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