PARK CITY
1884

PARK CITY COUNCIL
SUMMIT COUNTY, UTAH
APRIL 22, 1998

PUBLIC NOTICE IS HEREBY GIVEN that the City Council will be attending an Olympic Venue Cities Meeting, at the Marriott Hotel, 75 South West Temple on Wednesday, April 22, 1998 from approximately 2 p.m. to 5 p.m. No formal City business will be conducted.

PARK CITY COUNCIL MEETING
SUMMIT COUNTY, UTAH
APRIL 23, 1998

PUBLIC NOTICE IS HEREBY GIVEN that the City Council of Park City, Utah will hold its regularly scheduled meeting at the Racquet Club, 1200 E. Lucky John Drive, Park City, Utah for the purposes and at the times as described below on Thursday, April 23, 1998.

AGENDA

Work Session - Restaurant at Park City Racquet Club, 1200 E. Lucky John Drive

3:00 p.m. Council questions/comments
3:30 p.m. Budget review:
- Woodside Avenue construction project
- Preservation program

4:20 p.m. Racquet Club discussion:
- Restaurant
- Fitness Center
- Tour

No regular meeting will be conducted

Posted: 4/20/98

PARK CITY
1884

PARK CITY WORK SESSION NOTES
SUMMIT COUNTY, UTAH
APRIL 23, 1998

Present: Mayor Brad Olch; Council members Hugh Daniels; Roger Harlan; Chuck Klingenstein; and Paul Sincock

Toby Ross, City Manager; Rick Lewis, Community Development Director; Eric DeHaan, City Engineer; Meg Ryan, Planner; Tom Bakaly, Finance Manager; Kathy Kelly, Racquet Club Coordinator; and Bob Johnston, Leisure Services Director

Absent: Shauna Kerr

1. **Council questions and comments.** The Mayor welcomed the public to the work session at the Park City Racquet Club. Chuck Klingenstein thanked the Public Works staff for striping the streets in Park Meadows and for removing graffiti in town. In response to a question from Mr. Klingenstein, Rick Lewis explained that he has met with Mr. Jaffa about residential lighting as part of the light ordinance; he will be meeting with Mr. Jaffa again and will be bringing this back to Council. Hugh Daniels thanked staff for the quarterly financial report. He is pleased that there is a conservative budget in place and is eager to see the fourth quarter report. Mr. Daniels pointed out the significant decreases in license permit revenues and impact fees which may indicate a decrease in growth, but represent less funding for capital improvement projects. The quarterly report is very helpful. Paul Sincock added that according to Building Department information, construction is down 35% this year.

Temporary skateboard facility at Park City Mountain Resort. The Mayor introduced Michael Bair of PCMR. He explained that they are interested in providing a skateboard/in-line skating park at the resort which may be built this summer.

Mr. Bair thanked Council for allowing him to address them and explained that he is seeking Council's feedback on providing a temporary facility, possibly as soon as this summer. He believes there is a need in the community for accommodating skateboarders and skaters and this would provide a legitimate environment. In response to a question from Hugh Daniels, Mr. Bair indicated that he spoke with Dana Williams. Mr. Williams' only concern was that if PCMR builds a temporary facility that City Park will be pushed off to the side. Mr. Bair emphasized that it is not his intention to interfere with Mr. Williams' efforts, but PCMR is committed to a temporary location and working with the community. The Mayor liked the idea of PCMR taking responsibility for the operation and the possibility of it becoming permanent.

Paul Sincock asked for clarification of "temporary". Mr. Bair explained that the design is conceptual at this point, but it is anticipated that it be steel or wood and portable in nature so that could be moved when the ski season begins. It would be located in one of the parking lots at the resort. Chuck Klingenstein encouraged him to work with the Planning Department and added that he likes the concept and felt there would be support in the community. If there is a charge, he would encourage Mr. Williams to charge for his facility. It is good that it is located on the bus route and kids need a place to go. The Mayor believed that Mr. Williams was intending to charge. Mr. Klingenstein felt that has not yet been determined. Mr. Harlan asked what would be charged. Mr. Bair did not know at this time, as there is not a plan yet and he is seeking Council's support at this time. Mr. Bair indicated that this would be a summer facility and anyone could use it, based on paying a fee and following the rules. Paul Sincock also supported the idea and suggested that the ramps be designed in a way that it could be permanent and relocated in the event a permanent site is determined. Mr. Harlan indicated that he liked the idea that it could be done this year, but questioned the surface of the parking lot. Mr. Bair noted that the area could be asphalted or sealed or a variety of ramps could be installed that would eliminate the need for resurfacing. These ramps could be built in a portable fashion and could be stored. The only feature that would have to be replaced seasonally is the masonite surface, which is not a great expense. The Mayor asked how Mr. Bair inherited this particular project. Mr. Bair stated that he brought it to management's attention. He personally felt there was a need for it in the community and could incorporate his experiences, as he was involved in building one in California. Resort management embraced the idea of working with the community; there will not be a huge profit and there will be an expense on the resort's part. Mr. Harlan encouraged Mr. Bair to work with Dana Williams. Mr. Bair indicated that he has visited with Mr. Williams who is supportive and there will be another meeting. He reiterated that Mr. Williams' main concern is that if this temporary facility is installed, that his project will be "put on the back burner". This will be relatively small scale and there is still going to be a need to continue efforts for a public facility. Hugh Daniels encouraged Mr. Bair to also work with the Parks and Recreation Board. Mr. Bair requested a letter of support from the Council.

2. Budget review:

Woodside Avenue construction project. Hugh Daniels disclosed that at one time, he owned property on Woodside Avenue; no longer owns this property, but lives on the street. Eric DeHaan explained that this is a large capital project and it is hoped that Council can establish the scope of the project. An Old Town Streets and Utilities Master Plan was completed in 1993 and there is also a pavement management program for on-going maintenance in new subdivisions. This is not the case in Old Town. The 1993 Master Plan prioritized a number of projects, and this was updated in 1997 to reflect the progress made and the list has been carefully followed. The three largest projects included King Road, Ontario Avenue, and Empire Avenue. He explained the Woodside project would begin at 12th Street to King Road. There are eight funding sources for a total of $2.539 million up until the end of FY2000. He explained that there wouldn't be construction this summer, as there needs to be a public process for citizens and for bidding. There are approximately 150 to 200 homes involved. He pointed out potential difficulties for fire protection during construction because access will be obstructed with a trench in the street.

Through illustration of a cross-section of the street, Mr. DeHaan described the storm drain portion of the project which is needed in the area. Inlet boxes would be proposed with gutters. A new water line is very desirable as the current one is 30 years old and only six inches in diameter. In consideration of the value of properties, a ten inch water line is contemplated so that two or three fire hydrants could be activated at one time. The water line contribution from the Water Fund is a significant force for the budget on this project. With the water line, there would be 150 to 200 new water meter boxes and laterals, which will require individual plumbing projects. It is proposed to install new fire hydrants. Mr. DeHaan emphasized that this is an enormous amount of work. There has been a lot of discussion about under-grounding overhead utilities, which is not proposed, mainly because of the inconvenience to the neighborhood. He detailed the difficulties with having to have U S West and Utah Power as the sole contractors in under-grounding utilities together with the City's contractor which could cause major delays. Conduits proposed could accommodate the fiber optics efforts. He anticipated that if public meetings are held, there will be substantial input regarding under-grounding utilities. There could be three public meetings for residents of Woodside Avenue to ensure that their desires mesh with the purpose of the project. After the scope of the project is determined, bid documents would be let. Mr. DeHaan emphasized that there are critical needs for traffic control during construction because of the emergency response issue and an ability to deal with hazardous waste. He explained there are likely mine tailings in the area, because when the water line was installed 30 years ago, it was routine to use tailings with an installation.

He anticipates some traffic calming being incorporated in the ultimate curb and gutter plan. There is money in the budget if the project is extended to FY2000. The project could be cut back to just paving at $400,000, but it wouldn't contain any of the new water or storm drain improvements. The lack of a storm drain is the main reason for the deterioration of the street. In response to a question from Paul Sincock, Mr. DeHaan explained that the work would begin at 12th Street working up to King Road so there would be a storm drain for the water to travel. There may be extra costs so that the road isn't totally torn up at one time, and the paving may be staggered. He pointed out that 8th Street from Crescent Tram to Park Avenue and 12 Street from Woodside to Park Avenue would also be part of the project to collect the storm drain run-off. The Mayor asked if this project could be completed in a year and if $2.5 million is enough money. Mr. DeHaan believed this is a two-year project; the summer of 1999 and 2000. As outlined, the $2.5 million is sufficient, including engineering and contingency. There was discussion about under-grounding utilities, and the City Manager added that a neighborhood block could be under-grounded and the whole area doesn't need to be done at one time. Roger Harlan asked if it will be difficult to hire contractors in light of the work being done on I-15. The City Engineer pointed out that this project is in a very different range and believed there will be bidders on this project. The plans will be reviewed by the utility companies and there will be utility adjustments like sewer manholes.

Hugh Daniels asked if it wasn't done now, when would it have to be done. Mr. DeHaan explained that there is an obligation now to upgrade the water line from six inches to ten inches. Mr. Daniels emphasized that health and safety is key to him. Hydrants should have enough fire flow for this dense part of town, and he didn't feel this could wait. The City needs to continue to work through the Old Town Master Plan. He continued that the run-off and ice on the street can be really dangerous. The neighborhood should be involved and all of the improvements should be made at once. Chuck Klingenstein believed this will be a good opportunity to see what the neighborhood wants. He suggested that there be a two-part contract with the planning consultant to hold public meetings as the neighborhood meetings will be critical. Mr. Daniels reiterated that he is not willing to wait. The Mayor suggested that the neighborhood meetings be scheduled.

Preservation program. Meg Ryan stated that the loan fund program would be another piece in continuing the historic preservation grant program. This concept was prompted by an historic grant application; staff investigated possibilities and arrived at two programs. Properties could be acquired by the City which would be sold with a preservation facade easement or housing requirements attached to the structures. Banks have proposed a line of credit for the acquisition program. Tom Bakaly stated that Zions Bank has been marketing this to smaller cities with cash flow problems, and this would be a good method if the City is certain that it wants to sell the property. Meg Ryan pointed out that this is in keeping with the preservation ordinance which provides that the City negotiate with the owners for possible acquisition. She added that each individual building would come before Council for consideration. The second portion of the program is a loan fund. The City could act as the lender and would assume the administrative costs and liability. Another option is the City with a bank partner where the lender would take on the liability and processing and the City could buy down the interest rate on the loan. She explained that this would be a permanent loan, not just the construction portion. This is attractive to staff as the bank performs the up-front work. Ms. Ryan expressed concerns that banks may not want to get involved with buildings that are in questionable shape, but there are considerations under the Community Reinvestment Act, that these types of loans be made by banks to enhance their portfolios. Paul Sincock asked if they are compelled under this Act to issue market rate or discounted loans. Tom Bakaly responded that the City could bring a number of properties to a bank as a program, but banks have credit criteria for loans. Mr. Sincock suggested buying down only the first five to eight years, as the average mortgage is only six years long. Tom Bakaly gave an example of a City assisted loan at 6%, at the end of the 15 years period, the $15,000 could be considered a second mortgage and would be paid back to the City. There could be deed restrictions, and if the structure is sold, the City's investment would be refunded. The City could structure this in a number of ways and he has been talking to a number of lending institutions and for example, Zions Bank is involved in the Utah Heritage Program. Chuck Klingenstein shared Ms. Ryan's concern about banks being conservative. Tom Bakaly noted that the more the City is involved the less risk there is to the bank, and the more flexible it is, but pointed out the benefit of land value. Meg Ryan explained that a bank was provided with an appraisal of a property to conduct a test project, but it has not responded yet.

With regard to staff time, Ms. Ryan explained that Option A, the City as the lender, would prompt the most staff time. Option B, the City with a bank partner, would result in minimal staff time. Option C, using a not-for-profit organization, would be the least amount of work for the City, but Ms. Ryan recognized that this is probably not an option at this time. Chuck Klingenstein pointed out that the Historical Society and Old Town Landmark may be possibilities in the future. Paul Sincock believed that a combination of methods could be used.

Roger Harlan asked if this would cease demolitions. Meg Ryan explained that the primary goal of the preservation program has been to rehabilitate or replicate and to not demolish historic structures. There are some structures that are not worthy and some will fall down, but others have structural integrity that could be transformed into adequate housing stock. She requested direction to proceed with the line of credit and secondly on the loan option. It was staff's intention that this would be a one-time proposal; market it, and bring in as many participants as possible. However, staff could come back on an annual basis for appropriation. The Finance Manager recommended an annual appropriation of $50,000 and her initial recommendation was $100,000 as a one-time offering. Tom Bakaly explained this funding would be allocated toward the loan buy-down. With regard to the line of credit option, Mr. Bakaly hoped that the transaction would run smoothly, but if not, funding would need to come out of the Municipal Building Authority or General Fund. The City Manager recommended that if Council desired to pursue Option A, that a sum of money be set aside in the event it needs to be used and it should be funded. In both programs, there is a prospect of getting the money back, but it may not be immediately. Paul Sincock reiterated that that is why he would like to buy down loans for a shorter period of time. Roger Harlan recommended that both programs be available to monitor public response. Tom Bakaly explained that there is currently $50,000 set aside in the capital improvements budget, but he will come back to Council on this matter in the context of the budget review. Hugh Daniels stated that both programs have benefits and encouraged staff to talk with as many different lenders as possible. With regard to buying down loans, the Finance Manager explained that 4.5% was selected because that is the City's tax-exempt rate; 6% was selected because that is the rate the City is earning on its portfolio. The buy-down can be detailed at a later time. Paul Sincock stated that he would prefer funding at $50,000 rather than $100,000 to test the program.

3. Racquet Club discussion:

Restaurant. Kathy Kelly discussed the inventory of restaurant supplies which amounts to about $40,000 worth of assets. The first staff alternative is to lease the space to a restaurant. The focus group has recommended that it be non-smoking and it shouldn't be a private club, but could have a restaurant liquor license. Rather than having to buy a business which may amount to $125,000, the City can just hand the keys to an operator which is very attractive. The lease payments have brought in $30,000 into the Recreation Fund annually. If someone entered into a lease, the City would be interested in joint promotions.

Ms. Kelly explained that another option would be for the City to hire a restaurant manager and run the restaurant as a City venture. This could be a conference center, restaurant, teen center, video arcade, etc. She believed that if this option was pursued that it would not produce $30,000 a year and perhaps only $12,000 to $15,000. Mr. Sincock asked why. The City Manager explained that he believes there has to be an aggressive program and a bar to make a restaurant successful.

Another option is to convert the space into City offices, but there would be considerable expense in removing the kitchen. Ms Kelly pointed out the difficulty in remodeling the building because of its steel construction. Another option would be to have a private group lease the space and convert the space according to the business endeavor. Another suggestion from a student was to use the space for a teen center, but again this would not generate $30,000 to the Recreation Fund. The space would only be needed for a teen center Friday and Saturday nights and perhaps Sunday afternoons. She continued that a fifth option would be to solicit other uses, but renovations would be expensive. In response to a question from the Mayor, Ms. Kelly responded that patrons of the Racquet Club would like a non-smoking, healthy food and wine and beer serving restaurant and the tennis community has been very vocal. Hugh Daniels stated that his first choice would be to select a restaurant operator and the Mayor agreed. Chuck Klingenstein explained that he doesn't want the space used as a teen center, but at certain times, have it solely for kids. Hugh Daniels warned not to have the operation too restrictive for the restauranteur, taking away his ability to be successful. People need the opportunity to run a business. Paul Sincock suggested that if more restrictions are imposed, that the $30,000 be reduced to $20,000. The City Manager recommended that there be a request for proposals where the selection wouldn't be based totally on money, but also on other criteria in a selection process. Ms. Kelly emphasized that staff believes there is no other use that would render $30,000, unless there was extensive remodeling. Bob Johnston added that there is the possibility of moving offices in the restaurant space and remodeling the other end of the building for a day spa, but this concept has not been reviewed.

Paul Sincock pointed out that restaurants have come and gone in the space, and questioned how this would be different. The Mayor responded that this is a very attractive opportunity for the right business as there is no up-front purchase price that has to be amortized. Chuck Klingenstein stated that he would hate an asset like the restaurant being converted to offices. Ms. Kelly relayed that she will prepare an RFP. Council indicated that they didn't need to see the copy for the RFP, and hoped a restaurant would be in operation by this summer.

Fitness center. Kathy Kelly stated that early last year, the City took over the operation of the fitness center. Once staff realized that it needed to be moved and improved, there was a conscious decision not to market it. When the new fitness center is on board next week, there will be a marketing campaign. Providing a monthly pass was discussed and Bob Johnston indicated that a private provider may charge a membership fee that could range from $150 to $300 a year and then users pay a monthly fee. Paul Sincock believed that Council has already agreed to monthly passes. Mr. Johnston agreed, but staff would like to provide Council with a comprehensive five year plan on the Recreation Fund in a couple of months.

Ms. Kelly reported that the center is breaking even on a month-to-month basis, but is in a deficit overall for operations for the past year. She is confident that they will continue to break even and offering the monthly passes will generate a profit. When there is funding, more cardiovascular and lifting equipment could be added. Hugh Daniels asked if the renovation will be completed at $82,000. Ms. Kelly believed so, but it could go over another $2,000 as there was a problem with the windows, which had to be reordered. Mr. Daniels recalled that the original estimate was a little over $50,000 and now it's over $82,000, and asked the major component for the $32,000. Ms. Kelly noted that the architect underestimated costs, but the real problems occurred once the area was being excavated. There was a concrete wall that no one knew about and there was extra expense in having it removed and hauled away. Installation of the windows was costly because of structural reasons. Bob Johnston emphasized that staff tried to economize on elements of the remodel, but unfortunately when the building was purchased, there weren't as-built plans and he elaborated on structural challenges.

The monthly pass issue was again raised. Bob Johnston relayed that there are tennis and swim passes, but staff has held off on passes with the fitness center until it was ready. Staff would like to come back to Council with an comprehensive fee schedule recommendation at a later date. Ms. Kelly clarified that the initial agreement with the Ski Team for use of the fitness center was for two years. She indicated that the equipment is very close to fitting the needs of the public, and people want the facility to be affordable. Bob Johnston introduced a video filmed in November when some members of the Parks and Recreation Board's visited a number of fitness centers in Colorado. The City Council then toured the Racquet Club facility, particularly to look at the new fitness center.

Prepared by Janet M. Scott

PARK CITY
1884

CITY COUNCIL REPORT

DATE: April 23, 1998
DEPARTMENT: Community Development
AUTHOR: Eric DeHaan, P.E., City Engineer Eric W DeHaan P.E.
TITLE: Woodside Avenue Reconstruction & Utility Project
TYPE OF ITEM: Discussion of Scope and Process for a Major Public Project in Old Town

SUMMARY RECOMMENDATIONS: Please discuss the scope of the project as currently envisioned and budgeted. Review the proposed public input process and the consultant selection process. Give direction to the staff whether to proceed as outlined.

DESCRIPTION:

A. Topic: In accordance with the 1993 Old Town Streets and Utilities Master Plan, Woodside Avenue has been identified as the street in Old Town which should be reconstructed as our top priority if any Old Town streets are reconstructed. This discussion centers on the budget and scope of the Woodside project and on obtaining a consensus within the stakeholders group as to that scope.

B. Background: In the Council's January retreat there was discussion about Old Town Improvements in general, and Woodside Avenue in particular. Please refer to the attached briefing paper on Old Town Improvements from the Policy Issues & Strategies portion of your January retreat packet. The Woodside Avenue project was identified by the Council specifically as one on which Park City should make progress. In the context of our capital improvement budget (CIP) review for FY1999, the second year of the two-year budget cycle, the Staff has identified all of the obvious CIP funding sources appropriate for use on Woodside, in an effort to identify a scope for the project which is in line with available budget resources.

C. Analysis: In a nutshell, Woodside is proposed to be reconstructed from 12th Street up to King Road. The project as currently envisioned is described in some detail on the attached Project Review Outline (revised April 14, 1998). At this point in our staff management process we have assumed that the undergrounding of existing overhead utility lines will not be part of the project because of the significant additional inconvenience to residents and because of the resulting unbudgeted costs. However, it may be possible to install conduit as part of this project for installation of some utilities at some later date. We propose to hire a planning-phase engineering consultant to assist in scoping the project with affected residents in three four-block stretches of Woodside (8th to 12th, 4th to 8th and King to 4th). The public input will undoubtedly touch on the issue of undergrounding overhead utilities as well as the general desirability of the project. The planning-phase consultant would be asked to define a "consensus" scope of the project which would be brought back to the Council in August (approximately). If the Council then approves the scope of the project we would engage a "construction-phase" consultant to actually prepare plans. Construction would start in April of 1999 so it could be finished in November, 2000. Of course, all dates could vary if the scope of work changes. The construction-phase consultant will obviously need to be expert in construction management and inspection in order to keep the project on track in terms of time and budget.

D. Department Review: The project has been discussed at considerable length within Community Development, with Public Works, and with the Finance Department. All of Park City's senior managers and mid-managers are aware of the project. There is significant concern about the impact of the project on various City departments such as the water department, and also about inconvenience to the public. For example, the tie-in of the new water line at 12th and Woodside will likely block one driveway access to the Park City Library and Education Center for several days.

ALTERNATIVES:

The total appropriation for the various CIP accounts which have been identified by the Staff as likely contributors to the Woodside project is $1.218 million through FY1998, an additional $200,000 in the FY1999 plan (net less final expenses from the Ontario Avenue project) and an additional $1.12 million in FY2000 which would be available for construction after July 1, 1999. The total through FY2000 is therefore $2.539 million, as detailed on the attached budget summary spreadsheet. This amount is approximately the estimated cost of the project as described; detailed cost estimates have not yet been created.

The Council should discuss whether this considerable CIP allocation is being spent appropriately. If the Council elects to postpone or cancel the Woodside project, the various fund sources could be used for other projects appropriate to each fund (for example, the water fund contribution could be used for other water projects).

If the project were to be canceled, money would be available for other uses such as property acquisition. Other alternatives include expanding the scope of the Woodside project to include undergrounding overhead utilities, which would mean either finding additional funding or reducing the length of the project.

The Council is sometimes uncomfortable committing to spend money from a future fiscal year that is not yet in the approved two-year plan (in this case, FY2000). Although we are not requesting the actual authorization of expenditures today, we are looking for strong direction, so the Council may also wish to consider an alternative to pare the scope of the Woodside project down to the funding available through FY1999, or $1.4 million. This would cover the upper two-thirds of the project as described (from 8th up to King) but would not deliver additional water to 12th Street where it is needed.

Yet one more alternative would be to scale the project back to asphalt repairs and an overlay, which would be about $400,000.

SIGNIFICANT IMPACTS: Budget impacts are significant, as described in the alternatives above. Construction impacts will be profound, as heavy equipment will be unleashed onto a narrow Old Town street for at least one construction season (for the scaled-back project) and probably two construction seasons (for the full project as described).

CONSEQUENCE OF NOT TAKING THE RECOMMENDED ACTION: By authorizing the staff to commence selecting a planning-phase consultant for the Woodside project with a scope of construction approximately as described on the attached Project Review Outline, we will be able to conduct neighborhood meetings and arrive at a recommended design-level scope by the end of summer 1998. This would in turn allow for the necessary construction-phase consultant selection to occur in time for that consultant to acquire necessary field survey data by winter 1998-99, leading to construction in 1999 and possibly 2000. Please be aware, however, that the Staff is well aware of a general frustration level with the amount of construction in Park City, and we are not "pushing" this project in any way. The Council can elect not to endorse any particular scope for the Woodside project, in which case the staff will not pursue any consultant selection at this time. If the Council gives direction to the staff regarding the scope of the Woodside project, we would return to the Council in June with a consulting services contract for Council approval for our planning-phase consultant.

RECOMMENDATION: The Staff recommends that Council tentatively approve a scope of work for Woodside which extends from 12th Street up to King Road and includes gutters, storm drains, water mains and appurtenances, and new paving, but does NOT include the actual undergrounding of overhead utilities. Further, the Council should "earmark" funds totaling $2.539 million through FY2000 for this scope of project on Woodside as detailed on the attached budget summary spreadsheet.

Old Town Improvements

Rick Lewis / Jerry Gibbs / Eric DeHaan / Rich Hilbert

General

For many years there has been discussion about the streets, sidewalks, utilities, and other "infrastructure" in Old Town. Some have asked the question "When are you going to make the streets in Old Town as nice as those in Park Meadows?" while many residents have expressed a desire for the Old Town area to retain its potholed and steeply-sloping charm. (Potholes and steep slopes discourage speeding.) Park City has accomplished a large amount of very necessary work in Old Town in the last few years. However, if these capital projects are grouped into "health and safety" projects, versus the merely aesthetic, it is true that Old Town has not seen many "aesthetic" projects such as parks, landscaping, or the undergrounding of utilities. A pocket park is scheduled for construction in 1998 south of China Bridge and several stairways have been constructed and others are planned for the near future (see Trails & Stairways issue paper).

In 1993 a consultant to Park City listed and assigned a priority ranking to the "health and safety" projects as part of the Old Town Streets and Utilities Master Plan. In the four or five construction seasons since, much work has been accomplished on some very basic improvements (see the attached list from the Old Town Streets and Utilities Master Plan, which has been updated to include the current status of each project). These projects were envisioned as basic repairs to old sewer, water, and storm drain lines, and as basic sidewalk and asphalt repair projects. The storm drains would be designed and built to help alleviate the problems with springs of natural groundwater which plague the west side of Old Town. The major projects which have been completed, such as Norfolk Avenue from 3rd Street to King Road, met with a great deal of neighborhood support because the old utilities were recognized to be in terrible shape. The "health and safety" components of portions of King Road and Ontario Avenue were completely reconstructed in the last three years, including sewer lines, fire hydrants, and water mains. (High on the list of health and safety is the replacement of <u>all</u> historic lead-joint water line pipe. Small amounts of lead-joint pipe were discovered and instantly replaced in each of the last several years. We cannot leave lead-joint pipe in our water system once we know where it is.)

Some complaints have been heard that as a part of these and similar projects, all overhead utilities should have been placed underground. It has been the staff's experience that most of the actual residents of the affected streets realize how much additional inconvenience would have been caused by undergrounding, and support for undergrounding the utilities has therefore generally arisen from more distant and less-affected observers. The most affected Old Town residents generally appear to be pleased at the attention and public funds which have been spent to repair the basic infrastructure, even without elaborate landscaping or utility undergrounding being included. (Incidentally, none of the budget estimates shown on the attachment included any work on overhead utilities.)

Old Town Alternatives

The master plan shows that the next Old Town street to receive attention would be Woodside Avenue. Several segments of Woodside are shown; perhaps a sensible grouping of projects would be Woodside between King Road and 8th Street as well as some work on 8th Street and

Crescent Tram, the little road which slants between Norfolk and Empire. This larger project would thus continue the work downhill to a point where the collected storm runoff can be disposed into existing storm drains. In keeping with the previous projects, the Woodside project would include storm drains, gutters, some sidewalk, and new asphalt. Sewer lines would be replaced as deemed necessary by SBSID, but no undergrounding of existing lines was anticipated, so the project could reasonably be expected to be completed in one long construction season.

An alternative might be to install conduits, both lengthwise up the street and crosswise between the sides, so that some future undergrounding project could be accommodated, recognizing that the actual undergrounding entails seemingly endless open pits as phone lines are spliced, power lines are run through transformers, all lines are reconnected to the homes and businesses, cable TV is undergrounded, and then all the existing overhead lines are removed, each by its respective utility company on a very low-priority (for them) basis.

Other alternatives could include any of the remaining projects shown on the master plan list, or others. Hillside Avenue, although not prioritized as part of the 1993 master plan, has long been identified as needing widening, but the project has never moved to the actual design phase because several neighborhood residents are very concerned that widening Hillside will cause more Deer Valley traffic to move (at higher speeds) into Old Town rather than along Deer Valley Drive. Hillside has a relatively good safety record, possibly due to the terror factor that arises when a large vehicle is encountered coming the other direction.

Total available funding in the existing Hillside Avenue account and the various 8th Street and Old Town Streets and Utilities accounts is about $1.2 million already appropriated in the CIP (partial copy attached). There are several accounts with similar names because there are several funding sources. The $1.2 million could accomplish Hillside, or it could accomplish Woodside, as described above, or it could partially accomplish some undergrounding of overhead utilities. Although Park City has made good progress on accomplishing the list of projects in the 1993 Master Plan, if all the appropriated money is spent, it will take many more years to get through the master plan list at the current rate of annual CIP funding.

Yet another alternative, in light of the large amount of private-sector construction already foreseen for Old Town in 1998, might be to design one of the projects and get it ready for bidding, but not actually undertake construction until 1999. This option might seem particularly attractive given the large amount of I-80 construction which UDOT will be starting in 1998, leaving some Parkites with the now-familiar siege mentality we have experienced in several recent years. Another factor which might lead to a postponement of Old Town construction is our construction mitigation program; restricted hours of operation, no Sunday work, and our permit-parking system will all add to incrementally higher construction prices.

Park Avenue Alternatives

For many years, there has been discussion about retrofitting Park Avenue with wider sidewalks, narrower traffic lanes, and traffic-calming landscaping. Because of the Lower Park Avenue RDA, there is some construction money available, although some of these funds have been spent on property acquisitions. Also, as long as lower Park Avenue is zoned for commercial and high-to-medium density development, it has been difficult for the staff to defend any project which would restrict the amount of Park Avenue usable for traffic and parking.

As a result of the various charrettes which have studied Park Avenue, the staff suggests that certain improvements would meet with consensus from all groups holding a stake in lower Park Avenue. A lower Park Avenue project could include the following aspects:

1. Installing an 8-foot-wide sidewalk or some combination of narrower sidewalks in the one area of lower Park Avenue that doesn't now have sidewalk: the 180-foot stretch (approximately) of the east side of Park Ave. heading north from 13th Street. This new sidewalk would be created by <u>narrowing</u> the street, creating a helpful bulb-out at a location which will have a minor traffic-calming effect.
2. Possibly replacing the temporary traffic-calming device at Park and Empire with a permanent landscaped island.
3. Installing a small but permanent landscaped island in the middle of Park Avenue in front of the new Vie Retreat location, where only a few driveways would be impacted.
4. Possibly ringing the entire Library and Education Center block with substantial sidewalks in the sunniest possible locations to facilitate year-round pedestrian activity.
5. Installing stairs and a mini-park at the corner of 12th and Norfolk to link (in a public-private partnership) the proposed 12th Street stairs between Norfolk and Empire, already approved as part of a <u>private</u> building project at that location.
6. Installing a <u>diagonal</u> sidewalk from the front doors of the Library to the corner of Norfolk and 13th Street, thus facilitating the necessary pedestrian link between the Park City Mountain Resort's Olympic venues and Main Street. This diagonal alignment is the one voted on by the feet of actual Parkite pedestrians when there is a little snow on the ground and we can see where people actually walk. This field is used for kids' soccer, so the diagonal sidewalk design will need to be coordinated with field dimensions.

The number of other alternatives for Old Town Improvements is potentially limitless, but this position paper attempts to describe possible realistic projects and timing, tempered by real-world concerns such as construction overload and budgetary constraints.

<u>Issues Discussion</u>

The Council should give direction to the staff on the following issues so the capital projects for 1998 and future years can move into the design phase:

- Is Hillside Avenue a project that should be done in 1998? 1999?
- Is Woodside Avenue from 8th Street up to King Road, together with closely-related downstream improvements, a project we want to tackle in 1998? 1999?

- How much undergrounding of utilities should be bid as an additive alternate with each of these projects? Which capital projects should be postponed in order to finance the design of the undergrounding project? The actual construction?

- Is the Park Avenue project, as described above, one that the Council wants to undertake in 1998? 1999?

- Are there Old Town improvements, <u>other</u> than those described above, which should be a higher priority for the staff?

- Are there any CIP projects on the attached list which no longer have your support and can therefore be eliminated?

OLD TOWN STREETS & UTILITIES MASTER PLAN

SUMMARY OF PROJECTS AND 1993 COSTS
LIST BY PRIORITY

STATUS 12/97		PROJECT NAME	LOCATION	CONST COST 1993 $$	LAND COST 1993 $$
Done	1	6th Street	Park to Norfolk	$198,000	negligible+
(Next)	2	Woodside Ave	6th to 4th	$291,000	negligible+
Done	3	Ontario Parking Lot	East of Sandridge	$186,000	negligible+
Done	4	Norfolk Ave	6th to 3rd	$168,000	negligible+
Done	5	Marsac Parking	Lower Lot	$143,000	negligible
Done	6	Marsac Parking	Upper Lot	$195,000	negligible
(Trails Mast. Plan)	7	Crescent Tram Trail	Park to 8th	$110,000	prescriptive
Done	8	Norfolk Ave	3rd to King	$214,000	negligible+
Done by Pub Works	9	Sampson Ave	Norfolk to King	$167,000	$80,000
1998 Pub Affairs	10	4th Street	Main to Norfolk	$275,000	negligible+
(Next)	11	Woodside Ave	4th to King	$408,000	negligible+
Done	12	Watershed Improv.	Woodside Gulch	$150,000	$75,000
	13	8th Street	Park to Crescent Tram	$143,000	negligible+
(Next)	14	Woodside Ave	8th to 6th	$258.000	negligible+
	15	13th Street	Park to Norfolk	$179,000	negligible+
Leisure Serv	16	China Bridge Park	South of pkg garage	$ 76,000	none
	17	Norfolk Ave	13th to 11th	$354,000	negligible+
	18	11th Street	Norfolk to Empire	$114,000	negligible+
	19	Crescent Tram	Entire length	$109,000	$30,000 - 1,000,000
	20	12th Street	Park to Norfolk	$113,000	negligible+
	21	Watershed Improv	Empire Canyon	$150,000	$75,000
(Trails Mast. Plan)	22	Empire Canyon Trail	Swede to Hillside	$ 36,000	prescriptive
	23	Woodside Ave	12th to 8th	$486,000	negligible+
	24	Norfolk Ave	11th to 8th	$431,000	negligible
	25	Empire Ave	Manor Way to 11th	$367,000	negligible+
	26	Empire Ave	11th to Lowell	$312,000	negligible+
(Paid Parking)	27	China Bridge Pkg.	Top of structure	$534,000	none
Done by Pub Works	28	5th Street	Main to Park	$ 64,000	negligible+
	29	Park Ave	DV Drive to 14th	$494,000	negligible+
	30	Park Ave	14th to 12th	$415,000	negligible+
	31	10th Street	Park to Woodside	$ 31,000	negligible+
	32	11th Street	Park to Woodside	$ 32,000	negligible+
	33	Deer Valley Loop	Entire Length	$164,000	negligible+
	34	Watershed Improv	Ontario Canyon	$150,000	$75,000
			TOTAL	$7,517,000	$335,000 - 1,305,000

NOTES: Cost estimates are based on conceptual design only and do not include sewer.
+minor encroachments will need to be resolved

ALSO COMPLETE: King Road, Ontario Avenue.
FUNDED THROUGH OTHER CIP ACCOUNTS: Hillside Avenue

PARK CITY MUNICIPAL CORPORATION
PROJECT REVIEW OUTLINE

(Rev. April 14, 1998)

1. **Project Name: Woodside Avenue Reconstruction & Utility Project**

2. **Project Location: Woodside Avenue from 12th up to King Road, and also including portions of 8th Street and Crescent Tram Road**

3. **Project Description:**

   As currently envisioned, the project would replace the existing six-inch water line in Woodside with a 10-inch line, increasing the ability of the Fire District to obtain enough water to fight fires in this densely built-up neighborhood. Approximately 150 residential water service connections would be replaced with new services and water meter boxes. A major storm drain line would be installed in most areas of the project boundaries as described above, with about forty new drain line connections installed to the storm drain line from both sides of Woodside. Approximately twenty new curb inlet boxes would be installed. New gutters would be installed on both sides of the street. A bundle of utility conduits would be installed with the storm drain and/or with the water line, although actual undergrounding of overhead utility lines would **not** occur. Minor sanitary sewer repairs would probably occur. New asphalt would be installed. No sidewalks or staircases would be installed with this project, although nearby stairs and walks may be installed by virtue of other City capital projects. No new street lights are proposed. All work would occur within City street rights of way, although some of the drain line connections would affect private property, with the owner's permission. The overall length of the project is about 5000 lineal feet.

4. **Responsible Department: Community Development**

5. **Project Manager: Eric DeHaan, P.E., City Engineer (Phone 645-5026)**

6. **Anticipated City Departmental Participation:**

Project Review:	Legal Department
	Streets Division of Public Works
	Finance Division of Admin. Services
	Public Affairs Dept. (Parks Planning)
Sign-off Review:	Water Division of Public Works
	Police Department
	Community Development (Engrg., Building)

7. Other "Stakeholders"

Residents of Woodside between King Road and 4th Street
Residents of Woodside between 4th Street and 8th Street
Residents of Woodside between 8th Street and 12th Street
Questar Gas
Utah Power and Light Company
TCI Cablevision of Utah, Inc.
Snyderville Basin Sewer Improvement District
U. S. West
MPE, Inc. (Sweeney mid-mountain hotel site)
Park City School District
General Contractors with Woodside projects or delivery routes
Park City Fire District

8A. Planning Commission approvals needed: None

8B. Historic Distric Commission approvals needed: None

8C. City Council approvals needed: Preliminary scoping meeting
Planning-phase consultant selection & award
Scoping approval meeting(s)
Construction-phase consultant selection & award
Construction contract award (one or two phases)

9. Neighborhood and Public Process required:

Neighborhood meetings in each of three project segments
Scoping presentations to City Council with public input sessions
(One prior to planning-phase conceptual design and the neighborhood meetings, and one after)

10. Time Schedule:

Prelim. Council scoping meeting:	April 23,1998
Planning-phase consultant selection:	June, 1998
Neighborhood meetings:	July, 1998
Council scoping approval mtg:	August, 1998
Construction-phase consultant selection:	September, 1998
Construction contract award:	March, 1999
Construction:	April 15, 1999 - November 30, 2000

11. Capital Account Codes: (FY 1998-2000)

31-42079	31-42111
51-45057	
31-49091	31-49097
34-49043	34-49052

(Total estimated cost $1.8 million for construction, $250,000 for engineering, not including the water fund contribution for the water line)

PARK CITY MUNICIPAL CORPORATION
BUDGET SUMMARY

CIP #	FUND	PROJECT	DESCRIPTION	1998 BUDGET	1998 ADJUST	1998 ADJ BUDGET	EXPENSES TO DATE	1999 PLAN	TOTAL THRU 1999	FY2000	TOTAL THRU 2000	FY2001	FY2002	FY2003	PROJECT TOTAL
WOODSIDE EXPENSES															
69	31	42111	Old Town Utilities	17,500		17,500	(4,200)		13,300		13,300				17,500
69	34	49043	Old Town Utilities Master Plan	17,500		17,500	0		17,500		17,500				17,500
187	31	49097	Woodside-Crescent Tram	130,000		130,000	0	130,000	260,000	130,000	390,000	130,000	130,000		650,000
495	31	42079	Utilities & Streets Master Plan	469,010		469,010	(347,411)	175,000	296,599	175,000	471,599	175,000	175,000		1,169,010
495	34	49052	Implement Old Town Streets	354,375		354,375	0	97,555	451,930	130,528	582,458	130,528			712,986
571	51	45057	Ontario Avenue Water Line	80,000		80,000	0		80,000		80,000				80,000
628	31	49091	Woodside Storm Drain	150,000		150,000	0	150,000	300,000	150,000	450,000				450,000
692	51		Woodside-Water Line King -12th	0		0			0	535,000	535,000				535,000
			Total Woodside Projects	1,218,385	0	1,218,385	(351,611)	552,555	1,419,329	1,120,528	2,539,857	435,528	305,000	0	3,631,996
WOODSIDE REVENUES															
69	31	32361	Impact Fees	17,500		17,500			17,500		17,500				17,500
	34	31113	Property Tax Increment	17,500		17,500			17,500		17,500				17,500
187	31	32361	Impact Fees	29,600		29,600		29,600	59,200	29,600	88,800	29,600	29,600		148,000
	31	33261	Class C Road	100,400		100,400		100,400	200,800	100,400	301,200	100,400	100,400		502,000
495	31	38211	Transfer from General Fund	236,303		236,303			236,303	175,000	411,303	175,000	175,000		761,303
	31	39990	Beg Balance	0		0		175,000	175,000		175,000				175,000
	31	32361	Impact Fees	232,707		232,707			232,707		232,707				232,707
	34	31113	Property Tax Increment	354,375		354,375		97,555	451,930	130,528	582,458	130,528			712,986
571	51	34111	Water Service Fees	80,000		80,000			80,000		80,000				80,000
628	31	38211	Transfer from General Fund	150,000		150,000			150,000	150,000	300,000				300,000
	31	39990	Beg Balance	0		0			0		0				0
	31	39220	Bond Proceeds	0		0		150,000	150,000		150,000				150,000
692	51	34111	Water Service Fees	0		0			0	535,000	535,000				535,000
			Total Woodside Revenue	1,218,385	0	1,218,385	0	552,555	1,770,940	1,120,528	2,891,468	435,528	305,000	0	3,631,996
WOODSIDE REVENUES BY TYPE															
	31	39990	Beg Balance	0		0	0	175,000	175,000	0	175,000	0	0	0	175,000
	34	39220	Bond Proceeds	0		0	0	150,000	150,000	0	150,000	0	0	0	150,000
	31	33261	Class C Road	100,400		100,400	0	100,400	200,800	100,400	301,200	100,400	100,400	0	502,000
	31	32361	Impact Fees	279,807		279,807	0	29,600	309,407	29,600	339,007	29,600	29,600	0	398,207
	34	31113	Property Tax Increment	371,875		371,875	0	97,555	469,430	130,528	599,958	130,528	0	0	730,486
	31	38211	Transfer from General Fund	386,303		386,303	0	0	386,303	325,000	711,303	175,000	175,000	0	1,061,303
	51	34111	Water Service Fees	80,000	0	80,000	0	0	80,000	535,000	615,000	0	0	0	615,000
			Total Woodside Revenue	1,218,385	0	1,218,385	0	552,555	1,770,940	1,120,528	2,891,468	435,528	305,000	0	3,631,996

WOODSIDE BUDGET SUMMARY SPREADSHEET

PARK CITY 1884

CITY COUNCIL
STAFF REPORT

DATE:	**April 16, 1998**
DEPARTMENT:	**Planning Department**
AUTHOR:	**Megan B. Ryan/Tom Bakaly**
TITLE:	**Proposal to create a Revolving Loan Fund for Threatened Buildings in the Historic District**
TYPE OF ITEM:	**Discussion**

<u>SUMMARY RECOMMENDATIONS</u>: Review alternatives and direct staff as to a preferred course of action.

DESCRIPTION:

A. <u>Topic.</u>

Creation of a revolving loan fund and acquisition program for threatened buildings in the Historic District.

B. <u>Background.</u>

Historic preservation has been a goal of the Park City community for over a decade. In 1979, Park City's Main street was listed on the National Register of Historic Places and in 1984 many historic structures were placed on the Register under a thematic nomination.

Since the late 1980's, the City has offered the Historic District matching grant program and has allocated well over a million dollars towards rehabilitation of historic structures. In 1991, the City adopted the Certificate for Appropriateness for Development, (CAD) for historically significant commercial structures. In 1994 the City extended the CAD protection to residential structures. The current Land Management Code calls for a strict economic analysis to be undertaken prior to any issuance of a demolition permit, unless the Chief Building Official determines that the building is dangerous or hazardous.

The City has recently processed two of these applications. In one instance, the City purchased the property, (Watts) and in the second (Hart), denied the request for demolition. We currently have two pending CAD applications.

The involvement with these two applicants has brought forth the idea of creating a revolving loan fund that would target historic properties that may need more assistance than the grant program can provide. The CAD ordinance also calls for the staff to negotiate the possible acquisition of sites. Currently we have no dedicated funding source with which to negotiate acquisition alternatives for historically threatened buildings.

The proposed rehabilitation and acquisition programs would be used as the third piece in an overall strategy to preserve and protect our historic and cultural resources.

C. Analysis

The City is in the process of preparing the FY 98-99 budget. Staff would like to explore with the Council the idea of an historic protection program that was not previously included in the 98-99 plan in order to determine whether or not to recommend such a program in the 98-99 budget.

The Concept

The existing grant program provides matching seed money to those homeowners that are making an investment in their property and are preserving an historic resource.

The Acquisition Program would place historic resources in the hands of those who wanted to preserve or rehabilitate the structure. The city could purchase a structure and then resell it with preservation easements.

The Threatened Building Revolving Loan Fund would target buildings that are either vacant and neglected, uninhabitable or require more funds than the grant program could support.

The staff has researched the use of programs throughout the nation and have found many programs that use a combination of both strategies. In all the examples found but one, the organizations were 501(c) 3's or non profit groups. The organizational structure allowed the groups to use a variety of funding sources. Most used grants, donations or federal money and most loans were at market rates or slightly below. The one municipality we have found to date operating such a program is Aspen. The City uses general fund money and gives a $10,000 no interest loan for a period of ten years.

Target Areas

The Historic District Threatened Building Revolving Loan Fund and Acquisition programs would target historic properties in the Historic District, Lower Park Avenue, and Deer Valley Drive areas.

General Plan Compliance

Both proposed programs comply with the following General Plan Historic Core Policies and Actions.

- Maintain the historic character of buildings.
- Work to ensure the continued livability of residential area around the historic commercial core.
- Build on the successful historic renovation grant program. Offer rehabilitation design assistance and grants for renovation of strategically located non-historic buildings.
- Encourage residential development that will provide affordable housing opportunities for residents, consistent with the community's housing, transportation, and historic preservation objectives.

<u>The Proposed Programs</u>

1. Acquisition and Sale:

The acquisition program would be implemented on a case by case basis and could be funded by a Line of Credit program with a participating lender. It could also be financed through the pending Lower Park Avenue Redevelopment Agency bond issuance or general fund money.

Each case could be reviewed by a special committee. One possible composition of such a committee could include a City Council member, the Finance Director, a Historic District Commission member and a Planning Staff member. This committee could report back to the Council as a whole on each acquisition. A dedicated funding source such as the Line of Credit would enable the staff to negotiate in an assured manner.

Using a Line of Credit program would be the preferred alternative. The credit would be issued on a case by case basis. Nonprofit sources, such as affordable housing groups, may also provide additional funding sources but accompanying restrictions may need to be considered.

2. Rehabilitation:

The Loan Program could be approached in several different ways, depending on the level of involvement and liability that the Council is willing to commit to. The intent of the program would be to loan funds at a below market loan rate for the express purpose of rehabilitation. The loans would be construction loans. Award criteria such as the condition of structure or amount of matching equity, etc. would need to be developed under any scenario that is chosen.

Option A - The City as the Lender: The City can act as the lender and set a loan rate that would be at or near the rate the City earns on its investment. Under this scenario the city would assume the corresponding liability and administrative responsibilities associated with such a venture. In addition to administrative burdens, there may be legal implications on use that may limit our ability to choose this alternative and we are currently seeking counsel on this matter. One benefit of this scenario may be that we reach difficult to serve projects that cannot obtain conventional financing. Staff anticipates that there may be ten to twenty properties, depending on the final award criteria, that would take advantage of such a program. The recommended start up funding would be $400,000 from the Capital Improvement Program budget.

Option B - The City with a Bank Partner : The City can also find a bank partner and have the banks assume the processing and liability responsibilities of each loan. The city could help lower the interest rate by "buying down" the rate that the bank offered. For example, if the bank reviewed the loan and found that it could offer a rate of 9% the city could use CIP funds to bring down the rate to say 6%. The buy down could be done in the form of a second deed that would be repaid to the city upon the rollover to permanent financing. The exact details would need to be refined such as the length of the loan and the amount of the buydown. While this option is preferred because of the reduced liability and administrative burdens, the staff questions whether this program will target the properties that are the most in need of assistance. In other words, the bank may not share the city's philosophy that even the worst buildings are worth rehabilitating. The public purpose would need to be addressed under this alternative. The recommended start up funding from the Planning Department would be $100,000 from the Capital Improvement Program budget.

Option C - A Not for Profit Organization: Staff has considered the idea of enlisting a nonprofit organization to run the program using federal, local and city funds. Currently Park City does not have a nonprofit organization that can fill this role. The Historical Society does not have the capacity to run such a program. Mountainlands Community Housing could certainly fill such a role but their organizational purpose may conflict in some instances with the goal of preservation. In any cases where the city could negotiate preservation and affordability it would certainly be in the community's best interest and we would certainly strive towards that goal.

D. <u>Department Review</u>

The Planning, Finance and Legal Departments have been involved in discussions of this concept. The Finance Division supports Option B with $50,000 in start -up funding and prefers the Bank Partnership program to reduce the City's capital outlay, liability exposure and the administrative burdens of this program.

ALTERNATIVES

A. Do nothing to add to our historic protection program.
B. Discuss the four options discussed under the Analysis section and direct staff as to a course of action.
C. Continue the item for further discussion and/or additional input from Staff.

SIGNIFICANT IMPACTS:

There will be financial and administrative impacts if any new program is put in place . The degree will be a direct result of the option chosen. The staff supports addressing the issue with a proactive solution and realizes the efforts that will need to expended. If a program option is selected, the staff anticipates marketing the program at one time to all threatened properties instead of in a piecemeal fashion. If the City Council favors examining one or more programs the staff would return with a more detailed financial and administrative analysis.

CONSEQUENCES OF NOT TAKING THE RECOMMENDED ACTION:
If no additional programs are put in place the city may lose several historic homes through demolition, demolition by neglect or simply age.

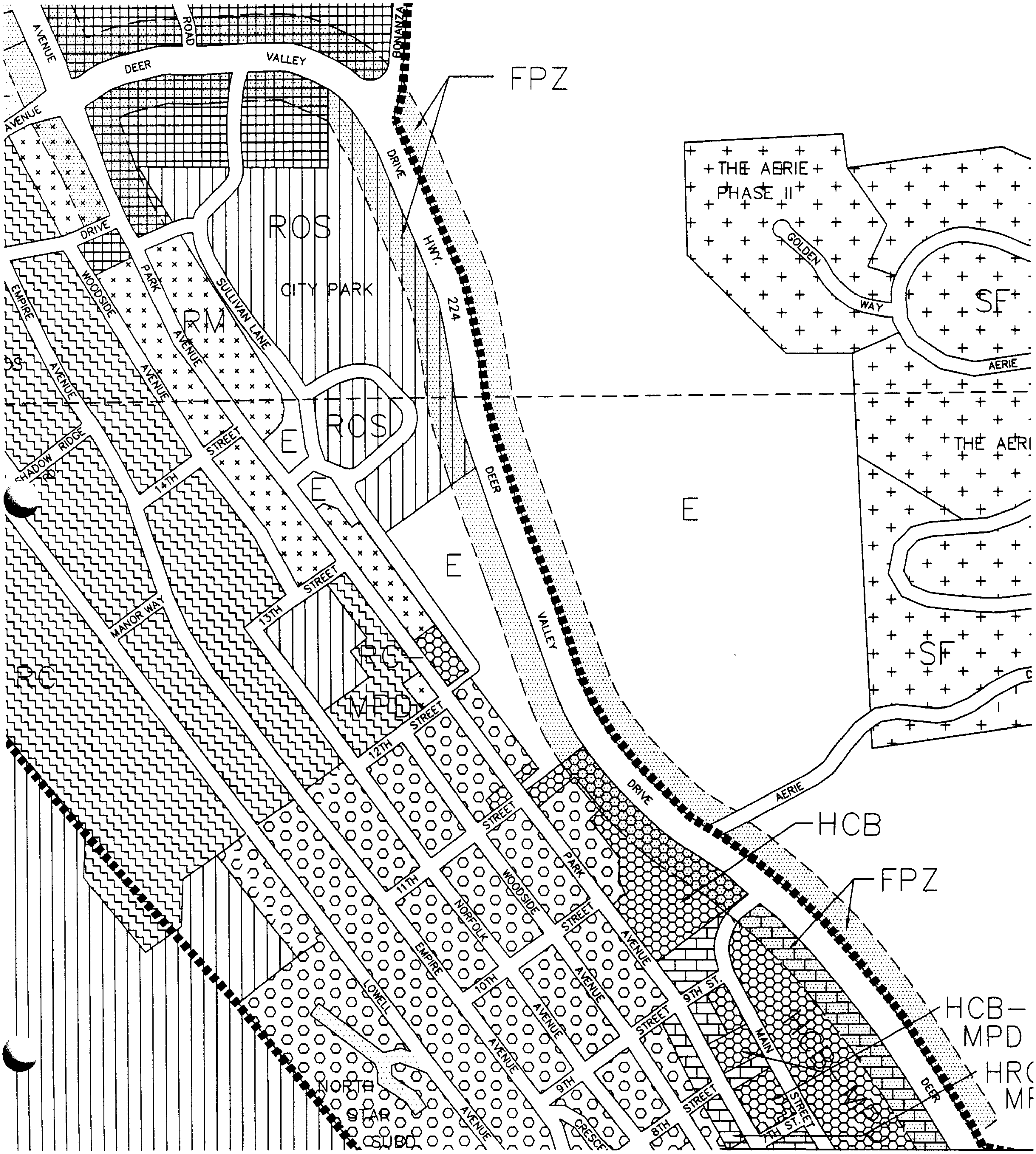
RECOMMENDATION:
Review alternatives and direct staff as to a preferred course of action.

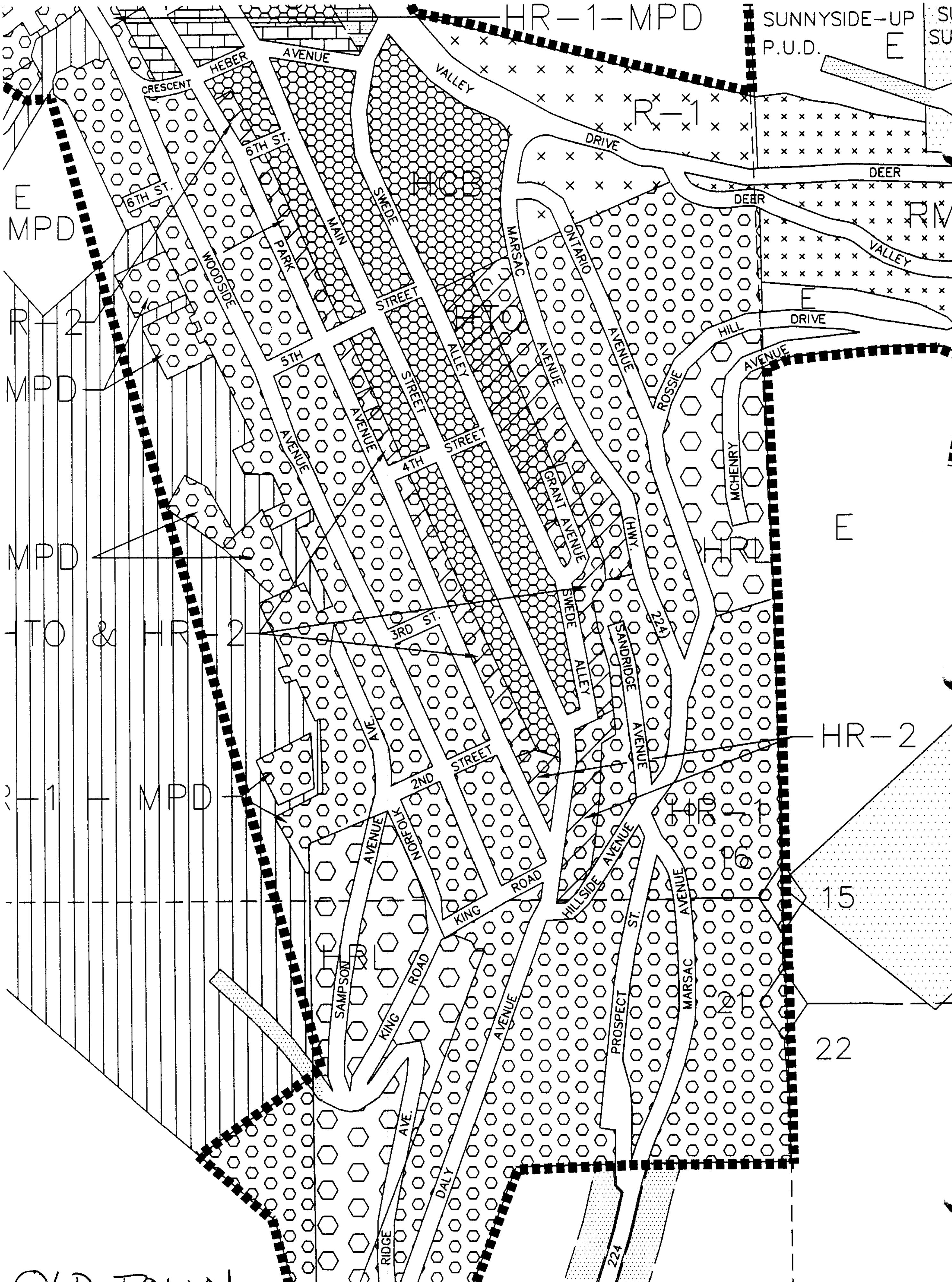
EXHIBITS

Exhibit A - Location Map of Target Areas
Exhibit B - Examples of revolving loan funds for historic preservation

Exhibit A
Target Areas

LOWER PARK AVENUE

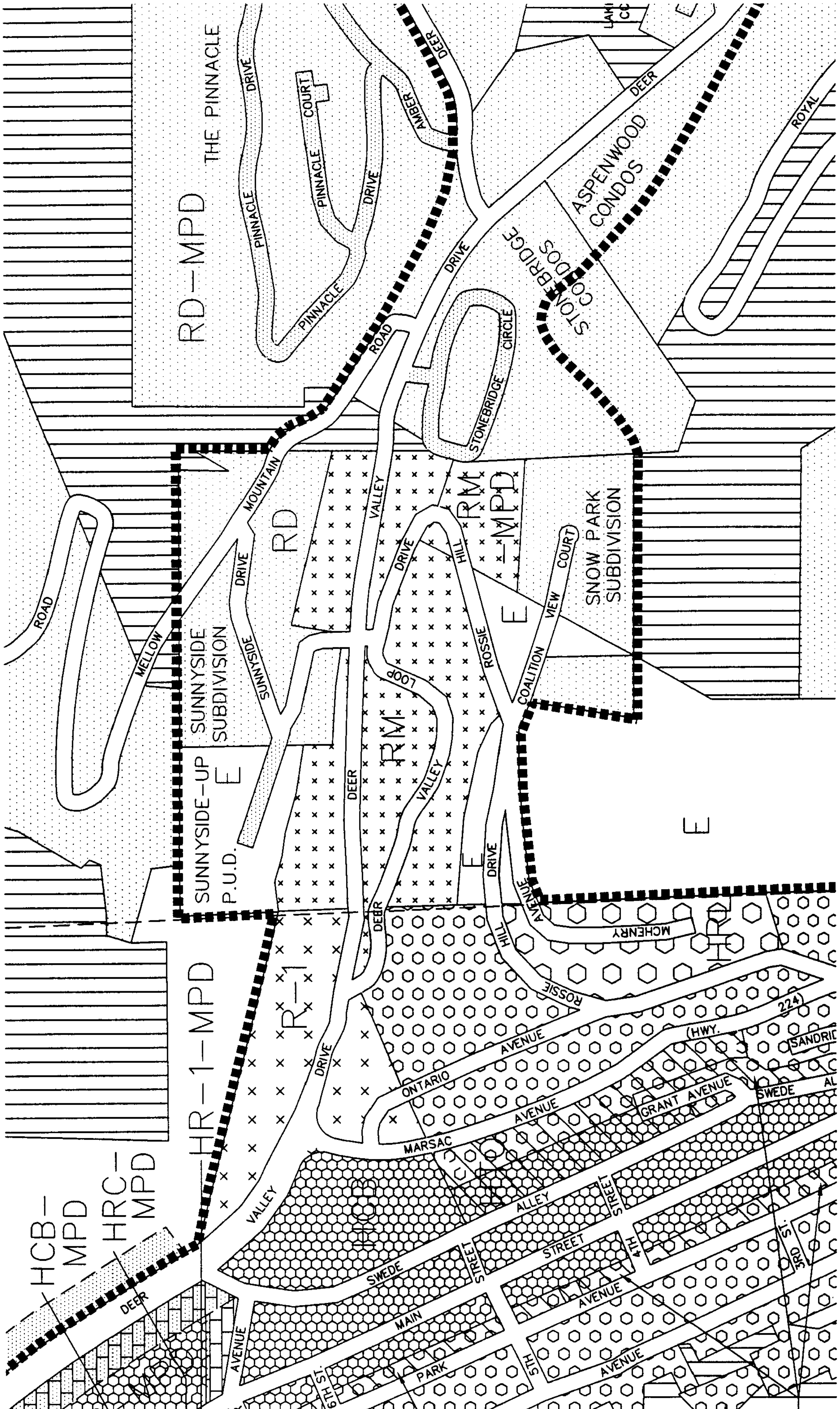




HR-1-MPD
SUNNYSIDE-UP P.U.D.
E
R-1
HCB
E
MPD
R-2
MPD
HRL
E
MPD
HTO & HR-2
HR-2
R-1
MPD
HR-1
16
15
21
22
HRL
RM
HEBER AVENUE
CRESCENT
6TH ST.
VALLEY DRIVE
DEER VALLEY
DEER
DRIVE
HILL AVENUE
WOODSIDE AVENUE
PARK AVENUE
MAIN STREET
SWEDE ALLEY
MARSAC AVENUE
ONTARIO AVENUE
ROSSIE
MCHENRY
GRANT AVENUE
(HWY. 224)
5TH
4TH STREET
3RD ST.
2ND STREET
SANDRIDGE AVENUE
NORFOLK AVENUE
SAMPSON AVENUE
KING ROAD
HILLSIDE AVENUE
PROSPECT ST.
MARSAC AVENUE
DALY AVENUE
RIDGE AVE.
224

OLD TOWN

DEER VALLEY
DRIVE



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EXAMPLES

The Salt Lake Tribune

Business

April 8, 1998

Loan Program Helps Bring New Life to Old Homes

BY LESLEY MITCHELL

THE SALT LAKE TRIBUNE

Steve Griffin/The Salt Lake Tribune

A loan from the Utah Heritage Foundation is helping Barbara Wingate refurbish her 19th-century Salt Lake City home. The program offers loans below the prime rate.

Barbara Wingate bought her late 1800s Salt Lake City home in 1992, with hopes of quickly fixing it up.

But Wingate, a retired dance instructor, is still working on the three-bedroom home.

"You can get completely sucked into fixing up an old home," she says with a laugh.

It isn't only hours and hours that Wingate has spent on her home, but tens of thousands of d-llars.

..ut Wingate will pay less in financing costs to complete her next project — the rehabilitation of her front porch — after landing a low-interest loan from the Utah Heritage Foundation's Revolving Fund Loan Program.

Through four separate funds, the nonprofit foundation provides loans at below the prime rate to credit-worthy owners of older homes as an incentive for them to restore and rehabilitate their properties.

"We want to encourage people who may otherwise not be able to renovate their homes," says Dina Blaes, assistant director of the foundation.

Depending on the amount borrowed, a lower interest rate can mean a monthly payment of as much as a couple hundred less than a payment at market rates.

To be eligible, properties must be more than 50 years old and have historical significance. Most properties that are eligible for the program either have a listing on the National Register of Historic Places or meet the criteria for such a listing.

While the homes must have historic value, a common misconception is that they must be elaborate homes in a high-priced neighborhood.

Blaes says many of the Utahns who receive the loans own small homes in low- and middle-income neighborhoods. "The goal simply is to return older homes to good condition," she says. "It doesn't matter where they are."

Because of the large cost involved in fixing up old homes, Blaes says part of the Heritage Foundation's role is first to help homeowners decide if making major improvements would be a wise financial move, and if so, what type of improvements should be made.

"Sometimes it doesn't make financial sense at all, or people are thinking of spending money on the wrong things from an investment standpoint," she says.

Each loan recipient is in a different situation, but all are investing substantial sums into their properties and the lower interest rates — which vary from borrower to borrower — save them plenty.

Lynda Henderson of Ogden, for example, is investing nearly $50,000 to restore a Spring City home built in the 1880s that was built by her great-grandfather.

Salt Lake City resident Patricia Norton is spending $70,000 to restore her home, built in 1906.

"Without this loan, there was no way I could have done this," says Norton, whose loan has an interest rate of 4.125 percent.

North Carolina spring 1998

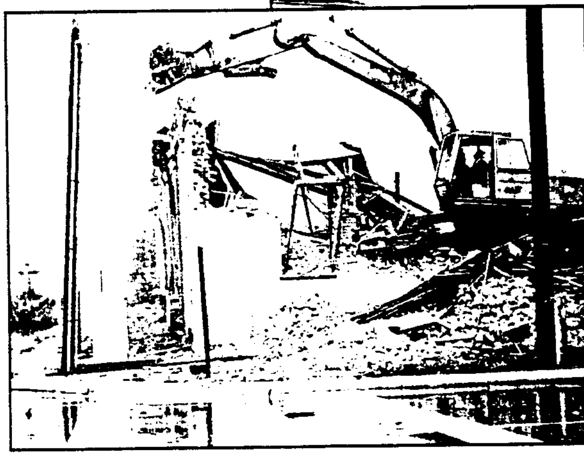
Ruminations

The Best of Times, The Worst of Times

by J. Myrick Howard, Executive Director

ood economic times can be great for historic preservation, and alternatively they can be devastating for valued historic and natural resources. For all the good preservation news of the past few years, preservationists must renew their resolve to educate the public about the benefits of historic preservation and to protect the state's treasures.

The good news: at Preservation North Carolina we have never witnessed so many preservation success stories as in recent years, and with the new North Carolina tax incentives for historic rehabilitation, even more can be expected. Already we are hearing about one rehab project after another which is on "go" because the new tax credits filled the gap between success and failure. Furthermore, Preservation NC's new economic impact study gives local preservationists tangible information with which to demonstrate that historic preservation is, to quote the *Winston-Salem Journal*, "a multi-cylindered, high horsepower engine for economic development" for North Carolina.



Courtesy of Ralf Walters, Daily Southerner.

The remains of the Tarboro Depot on the morning of November 14, 1997.

And yet...

The downside of good times: throughout North Carolina one sees sprawl gobbling up our state's countryside. Sprawl and more sprawl. Richard Moe, President of the National Trust for Historic Preservation, has made "sprawl" one of the Trust's key issues for this decade. Sprawl, he argues eloquently, is a preservation issue.

Sprawl destroys the countryside, results in wasteful public investment (serving dispersed development is much more expensive than serving compact development), and sucks the life out of downtown commercial areas. Local merchants are replaced by transient superstores. Giant fields of asphalt parking lots deny any sense of community. To quote one writer, "surely there's more to life than cheap underwear."

Preservation North Carolina has directly seen the impact of sprawl on the state's historic treasures. Scarcely a week goes by without a phone call about a house that Preservation NC "can have if we'll move it." Last week one of our staff looked at an early log structure in a handsome rural setting — about to be bulldozed for mobile homes. What preservation goal does uprooting that structure accomplish? None that I can see.

In Tarboro, an important early brick railroad warehouse was lost in November to make way for a freestanding drug store. Only hours after the developer said that it was actively considering an offer from Preservation NC, the structure was destroyed in the dead of night — the ultimate act of community cowardice. Ironically Eckerd's was moving out of the local mall, now largely vacant. The mall, as in many communities, was supposed to be an economic savior for Tarboro. North Carolina's many empty shopping centers and malls make a sadly eloquent and expensive argument for historic preservation.

As we have said before, historic preservation makes sense for North Carolina — economically, environmentally, culturally, historically, and aesthetically. It's a long-term solution, not a quick and temporary fix.

Preservation fosters liveable healthy communities for North Carolina's future. We must advance this message over and over — and over and over — and over and over. ✣

The mission of Preservation North Carolina is to protect and promote buildings sites and landscapes important to the heritage of North Carolina.

Available for **Restoration** *spring* 1998

HISTORIC PROPERTIES OF THE ASSOCIATION OF REVOLVING FUNDS

Dr. Samuel Perry House

SR 1436, Laurel Mill Road
Franklin Co.
See (Q) on map
Price: $112,000

The Dr. Samuel Perry House stands amid large trees at the end of a tree lined lane. Built around 1857 for physician and planter Dr. Perry, the building has been attributed to Warrenton builder Jacob Holt and reflects the characteristics of Holt's Greek Revival-Italianate building style. The two story frame building, listed on the National Register, has two handsome stucco interior chimneys, a frieze adorned by pendant brackets, and fluted cornerposts. The double door entrance with transom and sidelights is shaded by a porch whose square fluted pillars no longer exist. The interior follows a center-hall plan, two rooms deep on each side and has a front and rear hall, each containing its own flight of stairs. A one-story addition contains a butler's pantry and kitchen with ample modern cabinets and one bath. Unfortunately, all the doors and four of the eight Greek Revival mantels are missing. The house appears very solid. Restoration will require replacement of the missing woodwork and new mechanical systems. There are two outbuildings, a garage/carriage house and a smokehouse. The wooded property is 12 miles northeast of the county seat of Louisburg.

Square Feet: 4,650
Lot size: Approximately 23.5 acres
Contact: Preservation NC 919/832-3652
Candidate for tax credits, see page 25.

Creek Homeplace and Store

NC Hwy. 58, Warren Co.
See (P) on map
Price: $115,000

During its late 19th-century heyday, Creek was a thriving rural community where Confederate veteran Burwell Davis ran the post office, general store, cotton gin and his family farm. The Creek complex is anchored by a rambling farmhouse situated under a towering oak grove. The house was built in stages beginning with an antebellum log cabin and ending with an 1894 Queen Anne facade. Lovingly restored by the Davis descendants in 1978, the home has three shaded porches and two old rock chimneys. The interior features pine flooring throughout, glass-front pine cabinets and Federal mantels. An enclosed staircase leads to an attic large enough to be finished. Four well-preserved original outbuildings complement the main structure and, excepting the 1886 3-hole privy, are still in use today. Directly across from the farm is the Creek general store/post office which closed in 1930. This two-story monolith never had electricity or plumbing. It will require complete rehabilitation. The surrounding acreage consists of a pine plantation and old hardwood trees. Creek is located 55 miles north of Raleigh.

Square Feet: 1,900 in the home and 3,600 in the store.
Lot size: 23 acres
Contact: Preservation NC 919/832-3652

Buildings to be Moved

Moving a building is a preservationist's last resort. The buildings here will be lost on site.

Cline House

Cabarrus Co.
See (H) on map
Price: $3,500 (structure only)

The Cline House was built about 1840 by one of the first families to settle in the northeast section of Cabarrus County. The original house was a hall and parlor plan. Various later additions and renovations have transformed it into a central hall plan. Most likely, the bungalow appearance was created in the 1930s by raising the roof, clipping the gables and adding a balustrade to the front porch. The house will require total renovation after it is relocated to a new site.

Square feet: Approx. 1,800

Contact: Preservation NC 919/832-3652

Noah White House

U.S. Highway 64
Roper vic., Washington Co.
See (6) on map
Price: $2,000 (structure only)

This significant Greek Revival style house was built in the mid 1800s for former Chowan County farmer Noah White. This five bay house has seven spacious rooms with elaborate wainscoting, beautiful flooring, paneled doors, and a total of five fireplaces. Two rear rooms have now been lost to water damage. A renovation in 1921 added a wide front porch. The materials and structure of the front rooms, stairs, roof and most of the upstairs of the house are in good shape. Since it must be moved in order to be saved, the owner has indicated a willingness to negotiate with prospective buyers about wooded acreage just across U.S. 64.

Square feet: Approx. 2,038

Contact: Preservation NC Northeast Regional Office 919/482-7455

H.V. Dunstan Cottage

U.S. 158
Nags Head, Dare Co.
See (8) on map
Price: $2,000 (structure only)

The H.V. Dunstan Cottage is one of the original thirteen cottages on the oceanside of Nags Head. It was constructed in 1867 as a fishing shanty and was sold in 1890 to Dr. Robert Brent Drane, rector of St. Paul's Episcopal Church in Edenton and founding rector of St. Andrews-by-the-Sea in Nags Head. Dr. Drane expanded the cottage. The house was later conveyed to Dr. Drane's daughter Marion Graham who was the wife of Dr. Frank Graham, former President of the University of North Carolina and United States Senator. Damaged by the Ash Wednesday Storm in 1962, the cottage was then moved for Billy and Cabell Pruden to the base of Engagement Hill where it sits today. The cottage, vacant for several years, must be moved again. Several nearby sites have been identified as possible new locations for the house which will need total restoration once it has been moved.

Square feet: 1,704

Contact: PNC Northeast Regional Office 919/482-7455

BUILDINGS TO BE MOVED

Moving a building is a preservationist's last resort. The buildings here will be lost on site.

The Farm House Inn

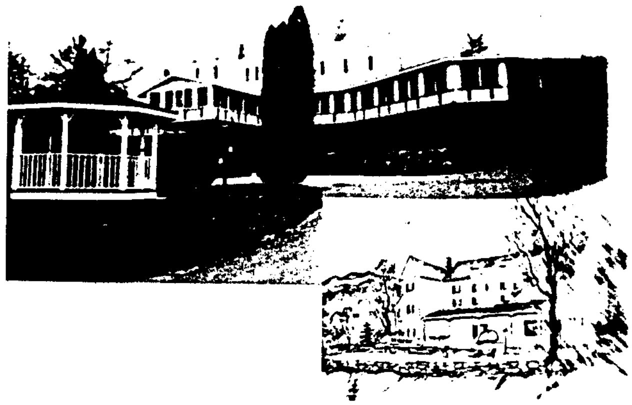
Business 321, Blowing Rock
Watauga Co., See (B) on map
Price: $10,000 (structure only)

The Farm House Inn is located in the famous resort town of Blowing Rock in the northeastern NC mountains.

The original three story structure, containing approximately 10,000 square feet, was built by Herbert Stuart in 1891. He and his family then converted the house into a family-style boarding house which became famous for its fine food. In 1944 the property was purchased by Mr. and Mrs. E.J. Blackwell who made extensive additions to the original house and renamed the property The Farm House Inn. There are presently 18 guest rooms and a functioning kitchen in the original structure. The current location of the inn has become extremely desirable for development and this Blowing Rock landmark will have to be moved in order to avoid demolition.

Square feet: Approx. 10,000 in original structure

Contact: Preservation NC
Winston-Salem Regional Office
336/788-0765



Henderson Jones House

Hillsborough, Orange Co.
See (N) on map
Price: $26,000 (structure only)

Little altered since its recordation by Frances Benjamin Johnston in the late 1930s, (pictured in Johnston and Watermans Early Architecture of North Carolina) the Henderson Jones house was constructed in the early 1830s. The original part of the frame and weatherboard house contains three rooms and two chimneys with three fireplaces. A 20th-century addition includes a kitchen, dining area, utility room and bath. Three early rooms, whose ceilings are 12 feet and 9 feet high, retain all of their original wood trim including mantels, six-panel doors, wainscoting, built-in glazed cupboard, and door and window architraves. Now in the National Register District of Hillsborough, the house must be relocated and restored. Nearby lots in the historic district are available for purchase. Hillsborough was established in 1754, and the historic district on the banks of the Eno River comprises the principal heart of the town. It is located 12 miles from Chapel Hill and Durham and 20 miles from the Research Triangle Park via U.S. 70, I-85 or I-40.

Square feet: 1,174 s.f. (834 in original house and 340 in 20th century addition)

Contact: Marion Clark,
Preservation Fund of
Hillsborough, P.O. Box 185,
Hillsborough, NC 27278, 919/732-2769

documentar

Piney Prospect

Colonial Rd. (SR 1601)
Tarboro vic., Edgecombe Co.
See (W) on map
Price: $600,000

Listed on the National Register of Historic Places, Piney Prospect was constructed in the early 19th century as a one-and-a-half story hall and chamber planned house. In 1820 the house was enlarged to two stories in the Greek Revival style by well-known local builder Peter Evans. He reoriented the house from west to south, constructing a wide, two-tiered porch in the Charleston manner as his grand entrance. The house is distinguished by its exquisite Greek Revival detailing such as highly decorated columns. On the interior, all of the original six paneled doors remain, much of the hardware, and two elaborate Greek Revival mantelpieces. Remarkably high style detailing is present in the window surrounds of the main parlor, the chair rails and wainscoting throughout, and the brackets of the staircase. The second floor exhibits original feather-graining in the hallways, doors, and baseboards. Piney Prospect is in excellent condition structurally, but needs modern mechanical systems. This beautiful house, located approximately six miles from historic Tarboro, is being marketed with 150 acres of cultivated and wooded land directly across the road to which it must be moved.. This is a rare opportunity to own and restore one of the truly significant homes in Eastern North Carolina whose future at present is uncertain.

Square feet: Approx. 3,594
Lot size: 150 acres
Contact: Preservation NC
Northeast Regional Office
919/482-7455

Properties Available for Restoration

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Blowing Rock *page 21*

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D Lineberger Building
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D Sears Building
Shelby *page 9*

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E Loray Mill
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J The Realty Building/ John Ray Building
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X Margaret M. Hanff House
New Bern *page 27*

X Lasitter-Burnham House
New Bern *page 27*

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8 McMullan Building
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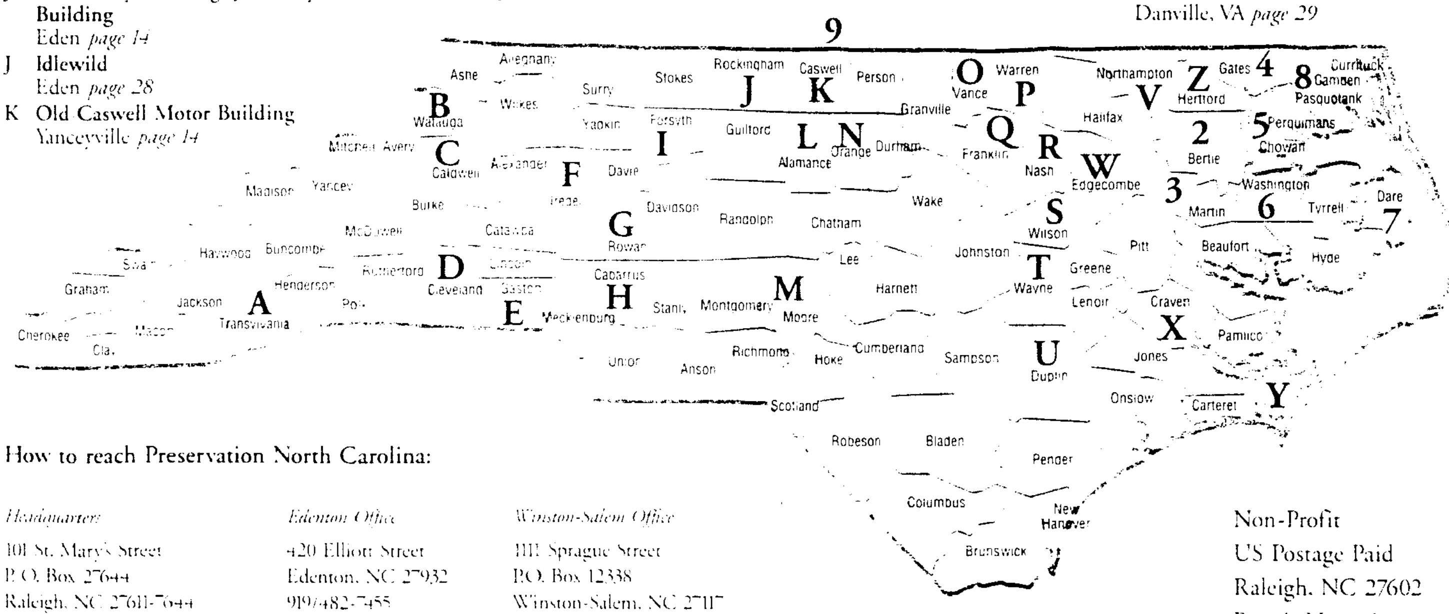

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Bellamy Mansion Museum of History and Design Arts
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Wilmington, NC 28402-1176
910/251-3700
Fax 910/763-[illegible]

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SALT LAKE CITY UT 84110-0028
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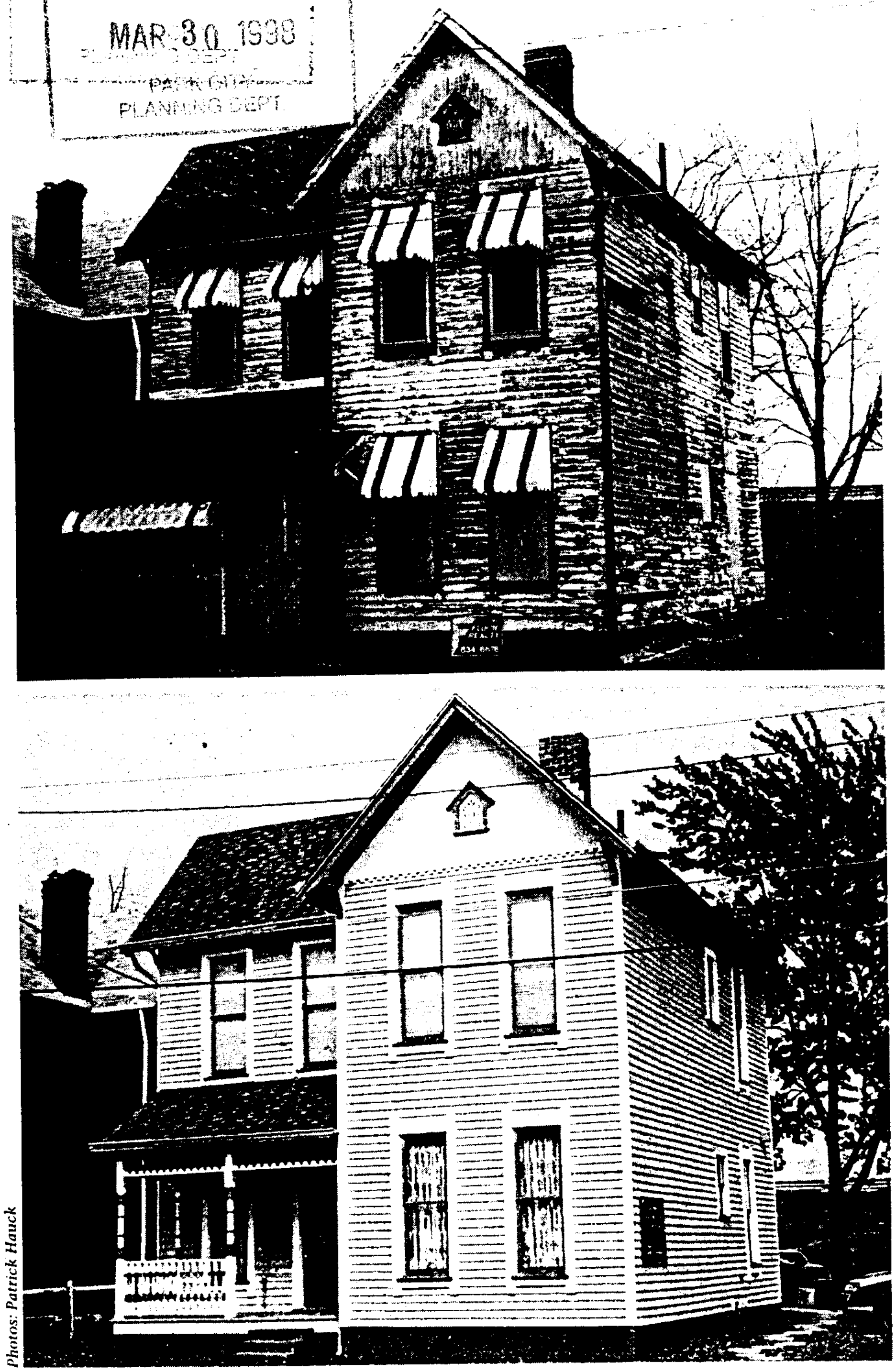
INFORMATION

Information Series No. 78, 1993

PRESERVATION REVOLVING FUNDS

Inside:



Photos: Patrick Hauck

Photos:* *Since 1984 Historic Landmarks Foundation of Indiana's Indianapolis office has rescued and restored more than 125 abandoned, endangered properties through its Fund for Landmark Indianapolis Properties (FLIP). Among the properties purchased and resold by FLIP is this late 19th century house at 931 Bellefontaine Street, a nearly vacant street on the periphery of one of the most popular districts in Indianapolis. The house was purchased and restored by a realtor specializing in historic properties.

National Trust for Historic Preservation

A revolving fund is a pool of capital created and reserved for a specific activity, such as historic preservation, with the restriction that the monies are returned to the fund to be reused for similar activities. Acquisition/resale funds, which are discussed in this *Information* booklet, are used to buy properties and resell them to a sympathetic buyer with protective covenants or easements. Revolving funds also can lend money to enable others to acquire and rehabilitate historic properties. This may be done exclusively or in addition to direct acquisition/resale activities.

A revolving fund is a very visible and highly aggressive way for a preservation organization to save endangered properties, initiate the revitalization of an entire historic neighborhood or commercial area and demonstrate to the community the economic and social benefits of historic preservation. It can be an essential part of a comprehensive preservation program, enabling an organization to acquire properties and safeguard their future.

Revolving funds can help initiate partnerships—with local government, neighborhood organizations, developers and others. Simply by having financing available for projects, a revolving fund can influence the future of a historic property or neighborhood. Often the existence of a successful fund with a strong track record in the community will be enough to get the preservation organization to the negotiating table where it can help develop a plan to save an important structure and perhaps buy the time needed to implement the strategy. At other times, by virtue of the cash or development expertise it can bring to a project, a revolving fund ensures that preservation is a part of a larger revitalization effort.

In its most dramatic form, a revolving fund rushes in at the eleventh hour to purchase a property slated for demolition. Once the property has been rescued, the fund protects it with permanent preservation covenants and searches for a sympathetic purchaser. When the property needs emergency stabilization, or when the magnitude of the rehabilitation job is a deterrent to buyers, some funds will do the work prior to resale, acting as developer of last resort. Most well-established funds attempt to intervene on behalf of endangered properties earlier, avoiding last minute rescues in favor of thoughtful negotiations with interested parties.

Many funds provide technical assistance and educational activities as well. Nonprofit preservation revolving funds rely on such techniques as rehabilitation agreements, covenants, and easements to ensure the appropriate rehabilitation and long-term protection of the properties they assist.

Revolving funds often start small, buying and reselling a building in response to a specific preservation crisis. As the fund undertakes more projects, it begins to develop expertise as well as revolve money. With each new project the organization learns new techniques, gains additional skills in real estate matters, and forges new alliances. Over time, more and more complex deals become possible and, as success builds, the fund attracts more donations.

In 1973 the National Trust gave the North Carolina Society for the Preservation of Antiquities (now the Preservation/North Carolina) a $600 Preservation Services Fund grant to investigate the possibility of establishing a revolving fund. Armed with the information gained from its consultant and $35,000 from the Mary Babcock Reynolds Foundation, the society created a small revolving fund to acquire endangered historic structures, particularly in rural North Carolina. Over the next 20 years the organization proceeded to option or buy more than 175 buildings that otherwise would have been lost and built a reputation as the most aggressive and innovative statewide preservation revolving fund in the nation.

Over the last 25 years revolving funds have evolved as an important tool for preserving historic properties. The environment in which these funds must operate has become increasingly complex. As a result, to function effectively, fund managers must be familiar with the financial and real estate techniques available to save historic properties. This *Information* booklet will introduce the reader to the vocabulary, concepts and techniques needed to establish and operate a revolving fund.

Organizational Issues

A variety of public or private entities can operate a revolving fund, but nearly all funds that buy and sell properties are managed by private, nonprofit organizations. Nonprofits can act more independently than government agencies. They generally can take greater risks and their legal status allows a simpler process for transferring property ownership. Furthermore, they usually are better able to take the long view, an important consideration when real estate deals can take many years to consummate.

Most recently formed revolving funds have been initiated within existing organizations. A revolving fund is an excellent fund-raising and public relations tool for a multipurpose preservation organization or a Main Street or neighborhood revitalization program. Its visibility and aggressiveness attracts members, donations, and news coverage for the organization, and it can be used as an educational tool.

Photo: Tom Mossman

Pasadena Heritage launched its revolving fund in 1980 by purchasing and restoring the 1905 Louis B. Easton House in Pasadena, Calif. A grant from the California State Office of Historic Preservation and a loan from the National Trust enabled the fund to acquire the house.

Managing a revolving fund, however, is a serious and risky business that requires professional expertise and a great deal of time. This can draw staff, board, and volunteer time away from the other important activities of a broadly-defined preservation organization or revitalization group, and, in the worst case, can drain an organization of all of its financial resources. An existing preservation organization expanding to undertake real estate activities should examine its articles of incorporation to ensure that they address the broader scope of operations.

The disadvantage of organizing as a separate entity is that the revolving fund runs the risk of competing for the same funding sources, board members, and media attention as the broader-purpose preservation organization. Separate organizations must coordinate their work closely to ensure that a consistent message is relayed to the general public about preservation and that fund-raising activities do not conflict.

Tax and Corporate Status

To attract needed capital from donors, a privately operated revolving fund should be incorporated as a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Corporate status is preferable to unincorporated associations, charitable trusts, or other legal status. Because corporations are deemed to be separate entities, their officers and members generally are protected from liability for corporate acts.

The requirements for achieving and maintaining status as a nonprofit corporation vary by state. Most revolving funds are organized to be, and have been determined by the Internal Revenue Service to be, exempt from federal income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Donations made to Section 501(c)(3) organizations are deductible as charitable donations for federal income, gift, and estate tax purposes and generally qualify for state charitable deductions as well.

In order to obtain and retain tax-exempt status, a revolving fund must meet three primary requirements:

- it must be organized exclusively for exempt purposes;
- it must be operated exclusively for exempt purposes; and
- no part of its net earnings may inure to the benefit of any private shareholders or individuals.

In 1986 the Internal Revenue Service issued Revenue Ruling 86-49 which confirmed that operation of a preservation revolving fund could qualify as a charitable activity. In that ruling the IRS found that "an organization that is formed for the purpose of preserving the historic or architectural character of a community through the acquisition and occasional restoration of historically or architecturally significant properties and subsequent disposition of those properties" qualifies for Section 501(c)(3) status.

This ruling resulted from several years of negotiation between the IRS and Preservation/North Carolina, after the IRS denied the North Carolina fund's initial application for tax-exempt status. Several key factors influenced the North Carolina situation:

- the properties assisted were listed in or eligible to be listed in the National Register of Historic Places;
- the properties were resold in arm's length transactions at terms that did not benefit the purchasers but did protect the fund's interests;
- the properties were resold at fair market value (including the decrease in value attributable to the deed restrictions) subject to restrictive covenants to ensure their future preservation and provide for occasional public access;
- the properties were identified and marketed to the public in a broad and educational manner; and
- the proceeds from resale were reinvested in other historic properties.

Revolving funds whose operations differ in certain respects from those of the fund reviewed in the 1986 revenue ruling subsequently have qualified successfully for Section 501(c)(3) status. The ruling generally is deemed to apply to revolving funds that are either part of a larger preservation organization or that are administered as a separate organization. The key factor is the need to distinguish the fund from a commercial real estate operation. The more development activity undertaken by the fund, the more complex the level of inquiry.

Certain restrictions must be included in the articles of incorporation of organizations seeking Section 501(c)(3) status. These are spelled out in IRS publication 557. The purpose clause of the articles must be carefully drafted both to demonstrate the charitable/educational purposes of the organization and to assure that all present and contemplated activities will fall within the stated purposes.

Section 501(c)(3) organizations also are classified as either private foundations or publicly supported charities. For tax and programmatic reasons, it is important that a revolving fund be classified as a public charity. The determination of private foundation status is based on the organization's sources of financial support. Most properly structured revolving funds should be able to qualify as public charities. Section 509 of the Internal Revenue Code and accompanying regulations set forth the complicated test for determining the private foundation/public charity status of the organization.

Certain activities engaged in by revolving funds may generate "unrelated business income" with respect to which revolving funds will be taxed. In general, activities that may generate unrelated business income are those in which the organization is engaged regularly and that are not "substantially related" to its tax-exempt purposes. For example, performance by the revolving fund of consulting services unrelated to its exempt purposes would likely be subject to unrelated business income tax. Fund-raising revenues generally are exempt from unrelated business tax unless they are generated by a business activity that is engaged in for revenue creation and not in furtherance of the organization's tax-exempt purposes. It is important to have a thorough understanding of the activities that generate such income and to what extent they may be carried on without jeopardizing the organization's tax-exempt status.

Because of the complexity of the issues involved, the advice of an experienced corporate and tax attorney is essential in obtaining and maintaining tax-exempt status.

Board of Directors

The board of directors of the nonprofit organization ultimately is responsible for the revolving fund and should establish its goals and objectives and oversee all financial transactions. The board should be comprised of individuals with an interest in historic preservation who can provide leadership and technical expertise. Board members should include architects, historians, contractors, developers, lawyers, accountants, public relations experts, realtors, planners, corporate leaders, bankers, government officials, and other well-connected individuals in the community.

Board members also should be called upon to donate funds, help raise money on an ongoing basis, or even guarantee loans to the fund. Since successful revolving funds generally take a great deal of risk and may lose money in the process of saving buildings, the board should be comprised of sensible risk takers.

Although the board of directors sets the overall policy and goals for the fund, the full board should not have to approve each transaction. Real estate deals often require quick decisions, and transactions tend to change often as they develop. A subcommittee of the board should be designated to make all decisions that fall within the parameters approved by the full board. The subcommittee should delegate some decisions to the staff so that critical transactions will not be delayed unnecessarily and internal red tape can be minimized. The staff must have the authority to negotiate the details of each project.

The roles and responsibilities of the board, its subcommittees and staff must be defined clearly. A clear understanding of the administration of the fund results in better relationships, more productive staff, and more professional management.

Personnel Needs

Most active revolving funds have at least one professional staff person to manage the program. Many have additional staff to handle educational programs and materials, bookkeeping, design review, construction oversight, fund raising, and other functions.

The personality of the revolving fund director is very important to the success of the fund. The director must be someone who is entrepreneurial, not afraid of taking risks, and able to get along well with potential sellers, donors, and buyers. If the director will oversee other staff, management skills will be required as well. A thorough knowledge of real estate techniques and financing is important, although many technical skills will be learned on the job and a strong board will provide needed advice. The director generally is the most visible representative of the fund with the public and the press, so he or she must be comfortable speaking to groups and providing information to the media, government officials, and the public.

Full-time professional staff is essential for an active revolving fund; generally a director and a part-time clerical person are the minimum needed. Revolving funds that are not very active can be managed without paid staff, but such an arrangement will limit dramatically the number and complexity of projects that can be undertaken. Real estate projects are time consuming, and volunteer burnout is common. If volunteers are used, a revolving fund coordinator should be appointed to manage the fund and, if possible, a different person assigned to coordinate each project.

Consultants can provide valuable information on specific projects, ongoing help with particular aspects of fund management, and training opportunities for the staff and board. Consultants can be useful in evaluating potential projects by providing architectural, engineering, and financial feasibility reports and environmental assessments. Accountants or bankers can help maintain auditable records and develop manual or computerized accounting systems, or they may hold and manage funds on behalf of the revolving fund. All revolving funds must have access to a skilled real estate attorney to ensure that transactions are well structured and implemented from a legal standpoint. Architectural historians can provide important information on potential projects. Realtors can provide advice or help market properties.

Although much useful advice can be gained on an informal, *pro bono* basis from board members and friends, revolving fund managers should keep in mind the difficulties of obtaining quick action or services involving substantial work in this manner. Many funds have found that they must pay for professional services. Often reduced-fee retainer arrangements can be negotiated.

While sound training and relevant experience are important for staff, board and consultants, passion and commitment to historic preservation remain the most important assets a fund can have. Funds need to "work smart," but it must be clear that after the technical advice is digested, the decisions are preservation ones, based on the mission, goals, and resources of the fund.

Defining the Fund's Mission

The first step for an organization seeking to establish a revolving fund is to assess the preservation needs of the community or state, its support for preservation, and the need for a revolving fund. Fund organizers should evaluate whether a revolving fund is the appropriate tool to meet the community's preservation needs. In addition, they should ask the following questions:

- Are the community's or state's residents interested in preserving historic properties and is financing available for their purchase?

- Are important buildings being demolished to make way for other development or to remove eyesores or social problems?

- Are other means available to protect endangered properties? Would improved zoning ordinances, historic district review processes, or a strong easement program be more effective than a revolving fund?

- Are areas of the community or state not being assisted adequately by the private sector, resulting in deterioration, abandonment, or demolition of significant structures?

- Should a revolving fund be part of a larger, more comprehensive organizational effort to address these problems or can other sources do the job?

The process of assessing needs provides an excellent opportunity for preservationists to educate the community about historic preservation. It may be very difficult to establish a successful fund regardless of the need if the community does not understand that historic properties are assets and if local government and citizen support are lacking. Before embarking on a major new initiative such as a revolving fund, an organization may need to strengthen itself through a membership drive, public relations campaign, and other outreach and educational efforts.

Once it has been determined that a revolving fund should be established, it will be necessary to develop a mission statement. Developing the statement can be an effective exercise for the board of directors, and the fund may benefit from seeking input from other interested individuals and organizations. The completed statement should be publicized widely to explain the fund's role to the community. It also should be incorporated in all fund-raising requests. Once the fund gets underway, a mission statement can be used to help evaluate possible projects.

Revolving funds are most effective when they target areas or properties that have been neglected by the private sector. If the organization has done its homework in assessing community needs and support, the mission of a revolving fund probably will be fairly specific.

Some successful funds are purely reactive and wait for potential properties to come to them. The most successful funds, however, maintain an ever vigilant corps of board members, affiliate organizations, and

Historic Boston, Inc. has actively pursued the rehabilitation of the 1875 Hayden Building as a way to stimulate revitalization of the surrounding district. This photo shows the building after it was severely damaged by a fire in 1985.

friends to seek out appropriate projects for the fund to undertake. If its mission involves saving endangered properties, the fund will identify and track potentially threatened buildings to avoid last minute emergencies. A fund may spend years negotiating with a property owner for an option to buy or a right of first refusal so the property is not lost when the owner dies or moves away. If it is attempting to purchase buildings in a neighborhood experiencing gentrification and displacement, it may purchase options quietly on a large number of properties to ensure their affordability since prices may escalate if revitalization plans become widely known.

A fund may need to be proactive to get a commercial revitalization project underway. For example, Historic Boston Incorporated (HBI) for more than 10 years sought to promote the redevelopment of the 1875 Hayden Building, a five-story stone commercial structure designed by H.H. Richardson. Located in the city's Mid-Town Cultural District, this vacant structure in the heart of the city's former "Combat Zone," had long been used for adult entertainment purposes until a fire damaged the upper floors in 1985. In 1993, HBI formed a joint venture with a Chinatown businessman and property owner to acquire the Hayden Building and an adjacent structure from the Federal Deposit Insurance Corporation. The project will seek to preserve this locally designated landmark, expand and strengthen Chinatown, stimulate revitalization of the entire block, and encourage alternatives to adult entertainment uses in the District. The revolving fund is ahead of the market and therefore has taken a major financial risk, but the potential rewards are great for the building, the district, and HBI.

Determining the Appropriate Level of Risk

As the mission of the fund is being determined, it is important to establish how much risk the fund is willing to take. A fund that does not take risks will not be able effectively to fill the gap left by the private sector. Some funds expect to lose money on almost every deal, and their fund-raising approach to potential donors incorporates that expectation. Those funds usually assist properties that no one else will touch. Other funds purposely choose some projects that are expected to lose money and others that will return a profit, in hopes that overall the gains and losses will even out and the fund's corpus will not be depleted.

Although a clearly defined mission and level of risk are important for a successful fund, it is essential to maintain enough flexibility to meet unforeseen needs that arise in the community. All funds need to periodically reevaluate their mission, risk level, and operating procedures to ensure that they continue to meet the needs of the community and that they operate as effectively as possible.

Targeting Resources

Given limited resources and the need to have a real impact in their communities, most funds target their activities. A fund might concentrate on a specific geographic area such as a single historic district, neighborhood, or downtown area. This approach may focus the fund's work on either residential or commercial properties, and the fund can develop expertise in either area relative to evaluating properties, finding buyers or tenants, and marketing buildings. Concentrating on a specific area increases the fund's visibility and reduces its risk, since, with a greater number of transactions in a single area, it will have more control over the future direction of the target area. The fund also may promote additional preservation work by local residents and private investors.

It is important for fund managers to work closely with existing neighborhood, merchant, and other community organizations active in a proposed target area prior to announcing the selection of a site in which to concentrate its activities. Residents and property owners must be included in the planning process to help meet community needs, build cooperative relationships, and educate the public.

A fund can impact a larger area by targeting a particular type of property such as endangered buildings, religious structures, or institutional properties. Statewide organizations might choose to target endangered rural properties, deciding that they are most in need of a strong preservation advocate. Some of the most effective funds provide a solution of last resort for buildings that otherwise would be lost through abandonment, disinvestment, or demolition. Targeting also is an effective way to accomplish the fund's social goals—to increase the supply of affordable housing, prevent displacement, and reverse disinvestment.

A decision regarding targeting of the fund's resources should be made after the preservation and funding needs of the community or state have been assessed and the organization has determined its goals and objectives. Keep in mind that a revolving fund cannot attempt to save everything.

In order to be as aggressive as possible in the target area or with the targeted building type, it is helpful to develop a complete historical survey. If the area is a local, state, or National Register historic district or if the building type has been included in a multiple resource listing, a survey should exist already. Contact the state historic preservation officer (SHPO) or local planning and zoning department to determine if such a survey is available. The survey will identify the most significant properties in the area and may provide valuable information as to current ownership, uses, condition, and availability. If a full survey is not available, conduct a "windshield" (or, in the case of a state, telephone) survey to become familiar with the area and begin the process of compiling information on each property to serve as the basis for later project planning.

Surveys also can identify the key defining features of a historic district so the fund can work with appropriate local authorities to ensure that those characteristics are preserved through zoning regulations, design review, and property owner education. Such features might include setbacks from the street, roof pitches, building materials, colors, window openings, front porches, and decorative trim. The fund can work in its target area to develop rehabilitation guidelines and, if appropriate, guidance for compatible new infill construction. This information builds community pride and a better understanding of the development patterns of the area.

Project Eligibility

The fund should establish guidelines for project eligibility based on its overall mission and objectives. Fund managers should develop criteria to evaluate both the financial feasibility and preservation benefits of undertaking each potential project. It is important to consider possible public relations opportunities and risks, educational value, spinoff effects, and other intangible results of the project in addition to economic and preservation considerations. Keep in mind that flexibility is important because there will be times when guidelines must be set aside in order to save a property. Procedures (such as review by the full board of directors) should be in place to address such situations.

Eligibility guidelines should be established and reviewed on a regular basis. A number of criteria can be used in formulating guidelines.

Historic and Architectural Significance. Eligible properties could include those listed in or eligible for listing in a local historic district, a state register or in the National Register of Historic Places, or deemed significant by some other objective measure. If eligibility for such listings is acceptable, an appropriate entity must be appointed to make those determinations. A list of specific properties to be targeted for assistance could be developed, but again, the fund must maintain enough flexibility to assist properties not included in the list.

Degree of Endangerment. Rescuing an endangered property can be a highly visible and easily understandable activity for a fund to undertake. Care must be taken, however, not to be seen as the organization that always steps in at the last minute to save a building and "stop progress." Although eleventh hour intervention is needed from time to time, it is more effective to gain a foothold in the appropriate planning and zoning boards where it is possible to learn about potential projects before a great deal of time and money has been invested by developers. Many properties are endangered not only by the threat of demolition or adverse development, but also by decay, neglect, abandonment, disinvestment, or changing uses. These properties usually are easier to spot, and there is more time to develop solutions.

Geographic Location. If the fund has decided to work in a specific historic district, neighborhood, downtown area, or other defined geographic area, eligible properties will be those located in that area. Some funds encompass a larger geographic area such as a state or region, but concentrate on properties in urban neighborhoods, rural areas, or downtowns. It is important in these cases to define "urban," "rural," or "downtown" to avoid misunderstandings about eligibility.

Building Type. Funds can decide to limit their activities to broadly defined building types such as commercial or residential, or more specifically, to large homes that are endangered by commercial encroachment or multi-unit zoning, apartment buildings that are being converted to high-priced condominiums, single-room-occupancy hotels that are being lost to development, churches that are being abandoned, or a wide variety of other building types. This more specific targeting may help attract financial assistance and certainly helps focus the fund's energies and resources, but generally it is too limiting over the long term.

Maximum Investment Per Project. Most funds set limits on the amount of funds that can be invested in a single project. Even if the fund decides to work on only one project at a time, it is wise not to invest all the fund's capital in one project in case of a loss or if unexpected expenses arise. Limits may be set using a specific dollar amount or a percentage of the fund's assets. There may be provision for increasing the amount in certain cases or with the approval of a higher authority, e.g., the executive committee of the board.

Management Issues

Once the fund has been established, its mission defined, staff hired, and project eligibility criteria determined, it is time to tackle projects.

Evaluating Projects

Each potential project must be evaluated against both the eligibility criteria and the fund's mission statement to guarantee that limited resources are reserved for projects that meet the fund's goals. In addition, the fund should develop a list of questions to ask about each project before becoming involved. Potential projects should be evaluated according to both financial and preservation criteria. Although projects with low scores on the financial questions may be funded, the exercise alerts fund managers to the potential financial risks that the project presents.

Photo: Lawrence Preservation Alliance

The Lawrence Preservation Alliance purchased and restored the Benedict House and built three compatible new cottages on an adjacent lot as a demonstration project to educate the community about the benefits of preserving the neighborhood and to offer an alternative to incompatible apartment buildings.

Evaluating Potential Projects

The following are examples of questions that should be developed to help evaluate potential projects.

- Does the project meet the fund's basic eligibility requirements? If not, but it still is being considered, explain why.

- Is the property particularly significant architecturally, historically or culturally? Does it retain its exterior and interior architectural integrity?

- Is the property endangered? If so, could it be demolished or irreversibly altered if the fund does not intervene? How immediate is the threat? Can the property be protected through preservation easements or other methods?

- Why are the fund's resources needed? Are there other organizations, individuals, or resources that could undertake the project, perhaps with technical assistance but not financial involvement of the fund? Would the fund's financial involvement leverage additional financing from other sources? What will the fund's investment buy that might not happen otherwise? Are there any potential partners with whom the fund could work to improve the project's chances of success?

- What will be the impact of this project on the surrounding area or the community? Could the fund's intervention spark other preservation activity nearby or could it help educate the public about the benefits of preservation or the importance of a particular building type? Is the property particularly visible, well known, or significant to a special constituency?

- Are the project's neighbors, public officials, and existing organizations in the area supportive of the project and the fund's involvement? What difference does it make and to whom if the building is saved, demolished, or abandoned?

- Will involvement in the project help increase the capacity of the fund's staff or board in some way? Will it boost confidence in the organization with residents, local banks, municipal government, or other critical players in the community?

- Will the project be a good model from which others can learn, a good public relations opportunity for the fund or a means of building new partnerships or gaining new friends for the fund? Are there important political or personal considerations that should be taken into account?

- Does the fund have the time, skills and financial resources that will be required to complete the project? How will this project affect the fund's ability to become involved in future ventures?

- Will the project be completed in a reasonable amount of time so the fund's assets are not tied up indefinitely? Is the project likely to go forward? Will it be a project of which the fund will be proud?

- Are there any environmental liability issues related to the site?

- Is the project financially feasible? Is the acquisition price realistic? Will the owner donate some or all of the cost or provide financing? How much has the owner invested in the property? Is the fund likely to recover its investment?

- Is the property marketable in a reasonable amount of time?

- Can the building be restored or rehabilitated for an appropriate use? What is its condition?

- Who is the current owner and how long has he or she been involved in the property? Will the owner work with the fund? If the owner is likely to be uncooperative, can the fund spare the time and energy it will take to negotiate a deal?

- Is the property encumbered by mortgages, liens, or easements?

Many of these questions are derived from materials used by revolving funds operated by Historic Boston Incorporated and Preservation/North Carolina.

The fund should develop a preservation plan for each project, although there may be times when the plan must be developed after the property has been purchased or optioned. The plan, according to *The Revolving Fund Handbook*, published in 1979 by the Architectural Conservation Trust for Massachusetts and Architectural Heritage Foundation, should include the following:

- a narrative detailing the historical and architectural significance of the structure;
- an evaluation of structural problems and reuse potential;
- an identification and analysis of market potential;
- a financial analysis of the building rehabilitation and potential use; and
- a determination as to the ultimate feasibility of the project.

Acquisition Tools and Techniques

Part of the decision about whether to become involved in a project relates to the type of property right or ownership interest to be acquired and the tools and techniques that will be used to gain control of the property. Most properties are acquired outright in **fee simple ownership**; that is, the purchaser acquires all rights to the property, subject only to acceptable liens or other recorded encumbrances. Examples of less than fee simple ownership are life estates, easements, and reversionary interests (in which a property can revert to the previous owner in the event of noncompliance with conditions—such as a rehabilitation agreement—in the transfer deed). Although fee simple ownership is the most straightforward approach to controlling property—and may be the only transaction a property owner is willing to consider—it also involves the most commitment, the greatest potential for risk, and the largest outlay of cash.

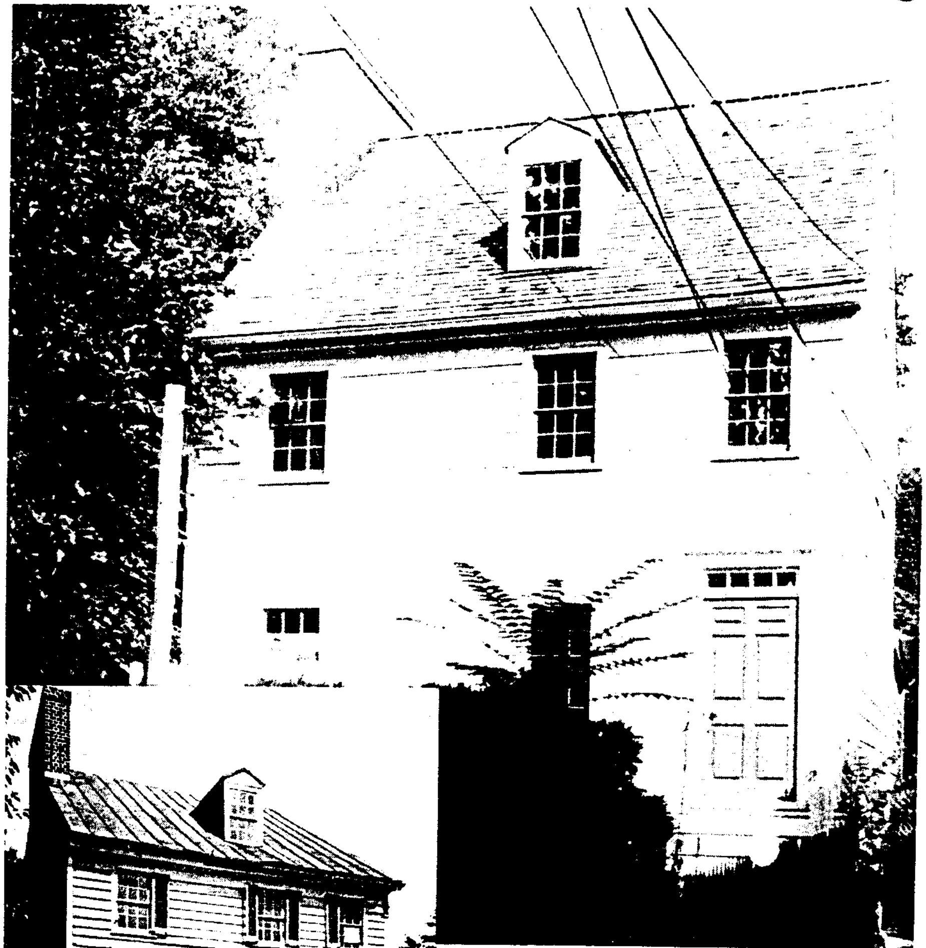
There are, however, other tools and techniques that can be used to gain control of a property. Some techniques involve a great deal of staff and financial involvement immediately. Others postpone such expenditures for a period of time or indefinitely.

Option. In this legally binding agreement an owner agrees to sell or lease a property at a fixed price (expressed in dollars or as a formula) to the holder of the option if the holder exercises his or her option within a specific period of time. There is no obligation by the holder to exercise the option; however, no other entity can purchase the property during the option period or, if it does, it will acquire the property subject to the option, which is not extinguished by such a purchase. The agreement also may allow the holder to assign the option to another party as explained below. As "consideration" for the option, the owner generally is paid a percentage of the sales price which eventually is applied to the purchase price or forfeited, depending on the agreement. Options are a good way to gain control of properties with very little financial risk and buy time to locate a buyer or raise funds to purchase the property. Properties in active real estate markets may require significant consideration to be optioned, but properties that have been difficult to sell, those located in less urban areas, or whose owners are cooperative can be optioned at little or no cost. This is particularly true if the fund has a good track record for marketing properties.

Assignable options allow the fund to retain the exclusive right to purchase the property while it seeks a suitable buyer. It then can assign the option to the preservation-minded buyer at closing and incorporate preservation restrictions into the sale. The fund can accomplish the same goals with an assignable option as it does with a fee simple purchase, but it avoids the costs and risks of real estate ownership. Alternatively, some of the risks of ownership can be avoided by arranging a simultaneous purchase and resale of an optioned property. This arrangement, however, does place the revolving fund in the chain of title, which exposes it to possible environmental liability and other risks.

Purchase Agreement. If the owner is unwilling to negotiate an option and outright purchase is necessary, the standard property purchase agreement can include conditions that provide time in which to complete structural assessments, cost estimates, and environmental audits or to gather other information necessary to determine the feasibility of undertaking the project. Purchase agreements can be made contingent on the buyer's ability to raise funds for the project, creating an excellent fund-raising opportunity.

Right of First Refusal. This acquisition technique provides the right to match any legitimate purchase offer on a property within a certain period of time. A right of first refusal is appropriate when the fund is interested in a property that is not in any immediate danger of demolition, adverse development, or alteration, and not likely to be sold in the near future. This tool ensures that the fund will be notified before any sale takes place. It does not, however, obligate the fund to purchase the property. The major drawback is that the fund could be notified of a purchase offer at a time when it does not have the financial resources to buy the property. It is prudent to negotiate ample time between notification and settlement



Photos: Historic Annapolis Foundation

Historic Annapolis Foundation stabilized and partially restored the badly deteriorated Retallick-Brewer House in Annapolis, Md., using monies from its revolving fund. The house was donated to the fund by a descendant of the Brewer family. The house is pictured before and after restoration.

to allow the fund to raise acquisition funds. The fund also should retain a right of first refusal on each resold property to ensure that it is notified when the property is about to change hands.

Donations of Real Estate. Some revolving funds get underway by accepting donations of real estate that can be sold and the proceeds used for future acquisitions. Properties may be donated outright by individuals who want to preserve their property, reduce estate and inheritance taxes, or obtain a charitable contribution deduction for the fair market value of the property. Properties also may be conveyed with conditions. The donor may want to retain a **life estate**, which allows the donor to remain in the property for the rest of his or her life. A donation may be made subject to **leaseback**, enabling the donor to continue using the property for a specified period of time. In a **bargain sale** arrangement, the property is sold to a revolving fund at less than its fair market value and the seller benefits from a charitable contribution deduction for the difference between the bargain sale price and the fair market value of the property.

Certain states provide incentives to encourage corporations to donate properties to nonprofit organizations. Florida has a Community Contribution Tax Incentive Program, which allows corporations donating properties to approved community development projects to receive a tax credit equal to 50 percent of their donation (Florida Statutes Section 220.183). Prospective donors may be found among those lenders that have taken properties through foreclosure but are unwilling to spend the time and holding costs necessary to sell them, particularly if doing so may enhance their Community Reinvestment Act ratings. Other potential donors may include corporations or government entities seeking to dispose of surplus property.

Alternatives to Purchase and Resale

A fund can accomplish its goals of protecting historic properties in a variety of ways that do not include ownership.

Long-Term Lease. This agreement between the landlord (property owner or lessor) and the tenant (lessee) spells out the terms under which the tenant can use the property over a long period of time (generally at least 15 but not more than 99 years). By leasing an endangered property from an uncooperative or unsympathetic owner, the revolving fund protects the property while a long-term solution is sought. A lease with an option to buy provides additional protection since the option can be exercised if the lease arrangement is not protecting the property adequately. Alternatively, the fund can lease a property it has

Environmental Liability Issues

In deciding whether to take title to a historic property, a preservation revolving fund must assess whether ownership could subject it to potential liability for environmental problems connected with the property. Such liability could be imposed by the Comprehensive Environmental Response, Compensation, and Liability Act, known as "CERCLA" or the "Superfund" law, or other federal or state laws. The reach of these laws can be broad, and liability can be assessed regardless of fault.

It is important to perform a "due diligence" assessment of the property before acquisition (by purchase or donation) through a site inspection and research into its prior uses and ownership. The purposes of the assessment are to determine the business risks of ownership and to position the organization to take advantage of the "innocent purchaser" defense to CERCLA or similar defenses to other laws should the need arise. What constitutes "due diligence," which can be determined only under a "facts and circumstances" analysis by the courts, will vary with the nature of the property, its prior uses, the neighborhood, and other factors.

For a full discussion of this important issue, refer to "The Environmental Liability of Preservation Groups", an article by Joanna J. Barnes in the May/June 1992 issue of the National Trust's *Historic Preservation Forum*. To obtain a copy write: Preservation Forum, National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. The cost for back issues is $5.

purchased if it cannot or should not be sold.

In 1990 Saint Mary's College was planning to demolish the 1903 Bishop's House in Raleigh, N.C. because it had no use for the structure and no plans for its site. Preservation/North Carolina arranged to lease the house from the college for 15 years (with a renewal clause for an additional 10 years). Preservation/North Carolina agreed to rehabilitate and maintain the house and pay the college one dollar per year in rent; the lease is assignable. Both parties were winners. The college got a rehabilitated house, and Preservation/North Carolina got an inexpensive headquarters building.

Across the street, Arts Together, a nonprofit arts organization, leased the circa 1880 Tucker Carriage House from the Raleigh Housing Authority on similar terms. The housing authority planned to demolish the building until Arts Together arranged the lease and undertook its renovation. The property has been rehabilitated and the housing authority now takes pride in the building's preservation.

Preservation Easement. An easement gives the fund the right to preserve and protect a portion of a historic property—most often its facade and sometimes important interior features, landscape elements, outbuildings, or other architectural elements. For the purposes of a preservation revolving fund, a preservation easement generally is created by a deed from the property owner to the revolving fund. Deed restrictions can be donated to the fund or purchased by it.

In order to accept a preservation easement, a revolving fund must include the holding of easements as one of its chartered activities and must be a qualified easement-holding organization under state law. The preservation easement holder is responsible for monitoring the easement through annual site inspections, enforcing its provisions, and approving plans and specificatior for all future work. If the donati of an easement is purely voluntary and is donated in perpetuity rather than for a specific number of years, in some cases the property owner (the "donor") may qualify for a charitable deduction against federal income taxes.

If an easement is purchased, its cost may be tied to the reduction in value attributed to the loss of future development rights (this value, determined through an appraisal, also can be used to determine the value of an easement donation for tax purposes). In some locations, however, an easement could enhance or have no effect on the value of a property.

Deed Restrictions Leveraged by Public Improvements. A revolving fund may convince a local government to require adjacent property owners to donate facade easements or other deed restrictions to the fund or another suitable entity in return for an agreement to build new sidewalks and add street trees, historic lighting fixtures, and other "street furniture." The term of these restrictions may be tied to the expected "life" of the improvements; they generally will not provide permanent protection.

Work with Real Estate Brokers. Instead of buying and selling properties, a fund can work with local real estate brokers to match available historic properties to preservation-minded buyers. A condition of the fund's assistance might be the donation of a preservation easement or the fund's approval of plans and specifications for proposed rehabilitation or restoration work. If the fund wants to sell properties in which it does not have an interest, a real estate license is required. Funds that purchase options, fee simple title or other forms of ow ership interest will seek buyers as the owner not as the real estate broker.

Grants or Direct Expenditures. If a building is extremely significant and in danger of demolition or collapse, the fund may want to reserve the right to grant or spend funds to pay directly the costs of a feasibility study or engineering report, emergency stabilization work, security measures, or documentation of a resource that cannot be saved. A grant might be awarded to a property owner on the condition that a facade easement be donated so that in effect the fund buys a preservation easement.

The Holding Period

In many respects, the holding period is the most risky and potentially the most costly phase of a real estate transaction. During this time, the fund actually owns the property pending its resale to a sympathetic buyer. Before purchasing the property, the fund should estimate the costs expected during the holding period.

Insurance. These costs will vary dramatically depending on whether or not the property is vacant. Property/casualty insurance is difficult to obtain on vacant buildings and usually is prohibitively expensive. Often it is necessary to go to more expensive nontraditional markets for such coverage. The fund may have to "self insure" for these properties, relying on the value of the underlying land to recoup its investment in the case of a major fire or other damage.

When casualty insurance is purchased, be sure that any applicable "co-insurance" requirements are met, i.e., that the property is insured for the policy's required minimum amount. Otherwise, in the event of a loss the amount recovered may be diminished drastically. Note that coverage for vandalism and malicious mischief is desirable but may be expensive.

Fund managers need to investigate the level of protection required to obtain or maintain insurance for vacant buildings. For example, the Landmark Society of Western New York spent considerable staff time and energy convincing the insurer of the Roycroft Inn in East Aurora that boarding up the property was not in the property's best interest and that other protective measures (such as a caretaker and an aggressive maintenance program) were more appropriate.

Liability insurance generally is available, affordable and essential to protect the fund from major losses. The National Trust has a property insurance program available to members of Preservation Forum.

Taxes. Nonprofit owners of real property may not automatically be exempt from local property taxes. A knowledgeable tax attorney may be able to assist the fund's efforts to obtain at least a partial exemption if taxes are owed. Some states have enacted legislation to assist in this regard. In North Carolina, for example, a provision was passed by the General Assembly stating that nonprofit organizations are exempt from property taxes if the property is used for charitable purposes. Since the charitable purpose of Preservation/North Carolina is to resell property, property held for resale is not taxed.

Utilities. Depending on the climate and the length of time the property will be vacant, the fund may have to pay to maintain some temperature or humidity control in the building to prevent broken water pipes or deterioration of the building and its fixtures and furnishings. It also may be necessary for security reasons to light portions of the building or provide power for a security alarm or smoke detection equipment. In some cases, a working sprinkler system may be required to qualify for fire insurance.

Maintenance. As the property owner, the fund will be responsible for ensuring that lawns are mowed, leaves are raked, vegetation is trimmed, trash is disposed of, and insect and rodent populations are controlled. Even though the prop-

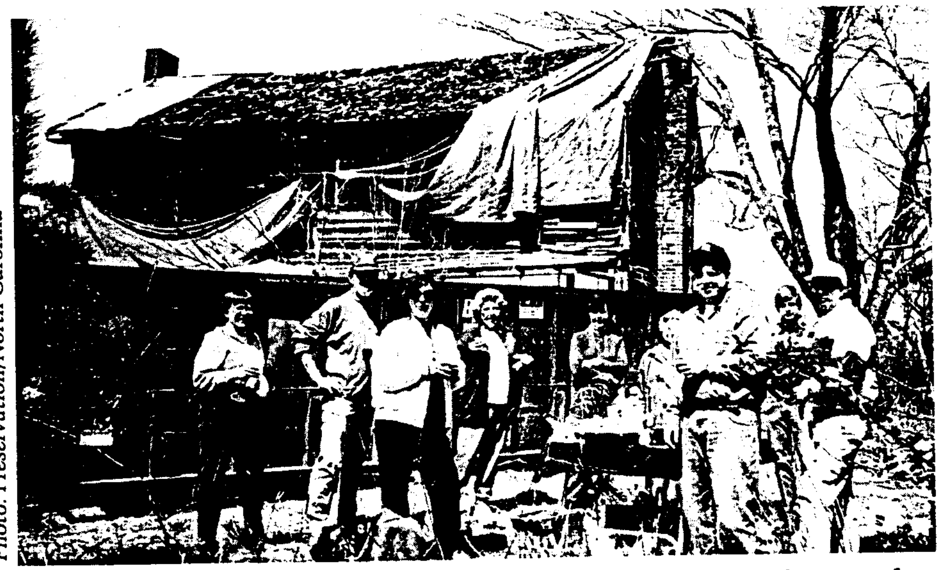


Photo: Preservation/North Carolina

Preservation/North Carolina's S.W.A.T. (Saving Worn-Out Architectural Treasures) team poses at the Walker House in Cabarrus County. Volunteers cleaned up the house and grounds, stopped roof leaks, and made the house safe for potential purchasers.

erty is vacant, it should not be allowed to become an eyesore or a threat to the health and well being of neighborhood residents. Springfield Preservation and Restoration (SPAR), a preservation organization in Jacksonville, Fla., often paints windows, curtains, house pets and other scenes on plywood that covers the windows of its vacant properties. Preservation/North Carolina uses a S.W.A.T. (Saving Worn-out Architectural Treasures) team to help with periodic repairs and maintenance of its properties.

Emergency Repairs. Fund managers must anticipate the need to undertake emergency repairs or stabilization work from time to time. Much of the work will be required to prevent water damage or entry by unwanted visitors. This could include repairing or boarding up broken windows, repairing or replacing broken gutters and drain pipes, patching leaking roofs, fixing broken water pipes or any other general repair work required of owners of older buildings. In unusual cases, the fund may have to secure the property to prevent damage from such natural disasters as hurricanes and to repair any damage that occurs.

Security. Taking appropriate security measures to protect a vacant structure can be the most important cost savings and public relations tool available to a revolving fund. Vacant buildings are easy targets for arsonists and for vagrants who seek shelter and accidentally (or intentionally) start fires. If not properly boarded or fenced, vacant buildings also pose hazards to neighborhood children and residents. The fund should secure the site to prevent damage to people or property. Fund managers should arrange for periodic building inspections and notify the police department to prevent looting, dumping, squatters, and other problems. It may be necessary for a tenant to live on site or to hire a security service. Important interior architectural features or furnishings may have to be removed temporarily from the site for security reasons.

Rehabilitation Options

During the holding period, the revolving fund may rehabilitate the property fully, do no work on it at all, or undertake limited improvements. The decision regarding how much rehabilitation to do will depend on the condition of the property and adjacent buildings, the real estate market, the type of property and its intended use, and the financial and technical capacity of the fund. If properties can be sold with little or no rehabilitation work, much less time and money will be tied up in each one. Fund managers must weigh the benefits of a quality preservation project and the resulting potential of a faster sale versus the costs of rehabilitation and the time and uncertainties that it entails. Several options are available to the fund.

No Rehabilitation Work. The property is sold "as is" to a preservation-minded buyer.

Stabilization. This can involve simple cleanup and/or emergency repairs such as roof patching and window boarding. Alternatively, a complete structural stabilization may be undertaken including roof replacement, foundation repair, replacement of damaged structural elements, and other major work required to reestablish a weather-resistant enclosure and the structural stability of an unsafe or deteriorated property.

Exterior Rehabilitation. Some funds rehabilitate or restore the exterior of a property to make sure that the work is done correctly or to demonstrate the possibilities of preservation in an area where not much has been done or on a building that is severely deteriorated or difficult to reuse.

Full Rehabilitation. In some cases, a building may be so significant or the market so difficult that completing the rehabilitation of the entire structure is the only way to protect its architectural integrity or to attract a buyer.

Preparation of Plans and Specifications. A property may be sold with the agreement that the new owner will complete rehabilitation work according to plans and specifications prepared by the fund. Often the plans and specifications are developed in cooperation with the buyer in order to meet both the buyer's needs and preservation standards. Plans and specifications aid the marketing process because they provide specific information as to the costs associated with full rehabilitation, which is useful both to potential buyers and lenders. This may be especially important where the project is particularly formidable.

Rehabilitation Agreements. A property also can be sold subject to an agreement that requires that rehabilitation work be undertaken within a specified period of time and according to certain standards. The standards can be defined broadly (as in reference to local design guidelines or to the *Secretary of the Interior's Standards for the Treatment of Historic Properties*, which were developed in 1992 by the U.S. Department of the Interior, National Park Service to replace the *Standards for Historic Preservation Projects* and *Standards for Rehabilitation*) or they can refer specifically to certain architectural features that must be retained and certain techniques that must be used to ensure appropriate preservation. Rehabilitation agreements may include the right of the revolving fund to repurchase the property if work is not completed on schedule or according to plan. Other remedies in the event of non-performance could include a provision for liquidated damages (a cash payment fixed in advance), the right to sue for specific performance (whereby a court order is obtained to force completion of the work), or the right of the fund to enter the property to complete repairs or rehabilitation and then place a lien on the property for the amount spent. Such remedies must be included in the agreement and must be allowable under state law.

Photo: Georgia Trust for Historic Preservation

Stabilization measures are often needed before a house is placed on the market. This 1820s house was sold by the Georgia Trust for Historic Preservation in March 1991. The buyer has agreed to restore the house according to specific conditions and a schedule set forth in a rehabilitation agreement with the Georgia Trust.

Options of Last Resort

Rather than rehabilitating and/or selling a historic property in a short amount of time, a fund may choose to "mothball" (stabilize and board up) a building for future sale or move the building to a new site.

Mothballing. A fund may choose to mothball a property if all attempts to sell the property fail or the market is so poor that it is difficult to sell at a reasonable price. This approach also may be used if the fund lacks the resources to undertake a project but must purchase the property immediately, or if the real estate market is such that it makes sense to acquire a number of properties at a low price for later development. Mothballing can be expensive because all of the costs and potential liabilities of property ownership are incurred and no income is derived. It can, however, be a good interim method o protect historic properties.

Moving. Although moving historic structures from their original site is not an ideal solution, there are times when there is no alternative if the building is to be saved. In deciding whether to move an endangered structure, a fund must determine whether the building can survive the move and whether a suitable new location can be found. The new site must provide an appropriate setting for the property (compatible architecture, adequate land area, acceptable location, etc.) and neighboring sites must not be adversely affected. The fund should work closely with the state historic preservation office to ensure continued listing in or eligibility for the National Register of Historic Places. The SHPO may be able to identify a mover who is experienced with moving historic buildings. Contact local government officials and utility companies well in advance to coordinate the move. Fund managers also must take into account liability and insurance issues. Moving historic structures allows the fund to educate the community about historic preservation since most building moves are very visible and offer wonderful opportunities for media coverage.

Design Guidelines

To guide its own work and the work required of buyers, a revolving fund must use a set of clear, straightforward preservation standards. The *Secretary of the Interior's Standards for the Treatment of Historic Properties* most often are used, either on their own or as the basis for design standards developed specifically for a community.

The *Standards for Treatment of Historic Properties* discusses the following treatments.

- Preservation - the act or process of applying measures necessary to sustain the existing form, integrity, and materials of an historic property (this includes initial protection and stabilization work, ongoing maintenance and repair).

- Restoration - 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.

- Rehabilitation - the act or process of making possible an efficient compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values.

Photo: Galveston Historical Foundation

When this 1887 vernacular house was threatened with demolition in March 1992, Galveston Historical Foundation moved the structure to a vacant lot in the East End National Historic Landmark District as part of its Operation Church Street neighborhood revitalization project. The house has since been sold to private owners and is being restored.

- Reconstruction - the act or process of depicting, by means of new construction, the form, features, and detailing of a non-surviving site, landscape, building, structure, or object for the purpose of replicating its appearance at a specific period of time and in its historic location.

Each treatment includes a number of standards. Guidelines for interpreting the rehabilitation standards are available from the SHPO or by contacting the National Park Service, Preservation Assistance Division, Box 37127, Washington, D.C. 20013-7127.

The SHPO can help interpret the *Secretary's Standards* early in a project's planning stage and before expensive architectural design work has been undertaken. Fund managers always should consult the SHPO early in the case of a project seeking to use the historic rehabilitation tax credits. Such projects also must be reviewed by the National Park Service.

Types of Protective Measures

The ability of a preservation revolving fund to provide long-term protection to historic properties it purchases is one of the principal differences between nonprofit organizations and for-profit real estate entities. Consequently it is vital for revolving funds and other preservation organizations to work continuously to protect historic districts and properties through identification of resources, establishment of local historic districts and other governmental regulations. It is important to note, however, that protection through local designation is only as strong as the historic district commission and the regulations that monitor and govern it. Private methods generally offer more permanent protection and can be tailored to the specific asset involved. Many of these methods are the same as those discussed in earlier sections of the booklet relating to acquisition and resale. These same tools also can be used to guarantee the protection of properties once they are resold.

Preservation Easements. A preservation easement affords a qualified easement holder, which generally is an incorporated, nonprofit preservation organization, certain rights with respect to real property that is owned by another entity or person. A preservation easement is created by a deed of easement that is recorded in the land records (just as a deed of ownership must be recorded each time real property changes hands) and "runs with the land." That is, it applies to all current and future owners of the property being protected, either in perpetuity, or if the preservation easement is for a period of years, for its specified duration. A preservation easement generally protects all exterior architectural elements of a historic property and requires that all proposed changes be approved by the easement holder. Significant interior features also can be protected, and in some cases a separate or associated conservation easement protecting the site is executed as well. The easement generally requires a reasonable level of maintenance.

Sale Subject to Protective Covenants. This type of protection places restrictions in the deed at the time a property is sold. An organization—generally the seller—is designated to enforce the covenants. Assuming the covenants are perpetual in duration, the legal effect is the same as that created by a deed of easement.

To preserve the fund's tax-exempt status and meet its preservation goals, the fund should place easements or covenants on all properties sold by it. If a buyer will not accept covenants, another buyer should be found. Permanent protection should be provided for every property purchased or optioned by the fund.

Rehabilitation Agreements. Revolving funds that do not rehabilitate properties prior to their resale often require execution of a rehabilitation agreement in addition to an easement as a condition of sale. Rehabilitation agreements define what the owner must accomplish in the short term to make the building liveable. Easements or covenants ensure that the completed work will be maintained and protected in the future. Rehabilitation agreements were described earlier as a rehabilitation option.

Land Trusts. Traditional land trusts and community land trusts frequently protect property through the use of preservation and conservation easements. They also retain long-term ownership of land in order to limit the uses of the land and protect the affordability of housing. In addition to protecting property by ownership and through conservation easements, some land trusts lease land they have acquired but sell the "improvements" (the structures, roads, utility systems, and other amenities) constructed on the land. The property is protected through restrictions included in the land lease at the time the improvements are sold. The lease may restrict the uses of the land, protect the historic buildings on the site, or limit the profit that can be made by homeowners upon resale of their houses.

Rights of First Refusal and Options. Described earlier as tools for the acquisition of property, these techniques also can be used as longer-term protection measures.

Marketing and Resale

Preservation/North Carolina's publication, *Handbook on Revolving Funds for Nonprofit Historic Preservation Organizations*, includes an excellent chapter on marketing historic properties. It states in part:

"The revolving fund's marketing strategy should be tailored to the special real estate market in which it operates... The marketing strategy should have three components: key people to contact, advertising and information for prospective buyers, and standard policies and procedures."

Photo: Jim Cruz, Courtesy Galveston Historical Foundation

Homes tours can draw thousands of visitors to a historic district. The Galveston Historical Foundation featured the 1838 Menard House as part of its Annual Historic Homes Tour in May 1993.

Typical marketing tools include open houses, newsletters, or marketing publications that advertise the availability of properties, flyers developed for specific properties, signs or banners, news stories, and cooperative relationships with realtors. Preservation/North Carolina produces a very successful quarterly publication that advertises properties on behalf of revolving funds across the state. It also purchases advertising space in each issue of the National Trust's *Historic Preservation News.*

In some locations, home tours can attract thousands of people interested in historic properties. Galveston Historical Foundation featured the 1838 Menard House in its 19th Annual Historic Homes Tour held the first two weekends in May 1993. The tour drew 5,300 people to Galveston; 3,687 of them visited the Menard House, the oldest remaining house on the island, which was purchased by GHF in 1992 after 10 years of negotiations. GHF's board of directors held a work day to prepare the house for the tour, successfully battling 10 years of dust and dirt inside the house and preparing the grounds for work donated by a professional landscape service. GHF's Residential Program Committee provided docents in the house, and 98 people volunteered to assist with the project during the tour. Other efforts to market the property included advertising through donated space in the local newspaper and working with realtors to show the house.

The Lubbock Heritage Society in Texas used another approach to promote and sell a house it had purchased. In cooperation with the Remodelers' Council of the West Texas Home Builders Association, the society conducted a series of workshops to correspond with the stages of preservation work underway on the house. Participants received on-site demonstrations and lectures by building professionals on such topics as roofing, insulation, windows, interior finish work, paint colors, and landscaping. The free programs were videotaped and made available to the public through local libraries. Program handouts offered information on historic preservation. These efforts generated a great deal of press coverage and neighborhood interest. The house became so popular that it sold the first day it was on the market.

Particularly for a fund operating in a limited geographic area, distinctive signs or banners can be used to attract attention to available properties and to show progress when rehabilitation work is underway. Such tools effectively increase the visibility of the fund.

By partnering with neighborhood, downtown, or other community organizations, the fund may be able to gain financial help, marketing assistance, or support for protecting and maintaining important historic properties and districts. It also is important to develop an ongoing relationship with the local news media. Feature stories on properties available for sale can attract potential buyers for that specific property and others that may be available in the future.

For particularly difficult properties, unusual approaches may work best. After 12 years of unsuccessful attempts to sell its property, the owner of Our Lady of Victory Academy, a 64,000 square foot 1910 Gothic Revival former boarding school in Fort Worth, Tex., sought a demolition permit. A moratorium on demolition permits for historic structures drew the attention of the city and local organizations to the owner's dilemma. The Historic Preservation Council for Tarrant County convinced the owners to allow time to find a viable preservation solution. A consultant, hired by the council, decided to involve the community in the process. A task force of experts worked out potential reuse ideas with community input. With the consultant's help, teams of sixth grade students prepared formal development proposals based on the best ideas. The proposals were presented by the students to a jury before a live audience, which included bankers, developers, business people, neighborhood residents, and other potential project players as well as parents and news reporters. A community-based theater use was identified through this process, and, just two weeks prior to the owner-imposed deadline, the preservation council convinced the owners to sell the property to a newly-formed nonprofit organization at a much-reduced price.

Promoting and Publicizing the Fund

A revolving fund's role in the community should be not only to save specific historic properties but also to educate the public about the value of historic preservation. To do that, the fund must take every possible opportunity to present its accomplishments and highlight the need to protect the historic assets that help define the community's character. Newsletters with good "before" and "after" photographs and interesting stories are helpful if they are circulated appropriately. Marketing brochures can keep the fund's activities in front of local realtors, bankers, public officials, and citizens. Before and after color slides should be maintained, along with background on the significance of each property and the results of the project. Fund representatives can make slide presentations to civic organizations, public agencies, and schools.

Regular contact with the news media, backed up with brief factual information and photographs of projects, can lead to newspaper articles and radio and television spots that help keep preservation in the minds of local citizens. Articles should be placed in other organizations' newsletters to reach a wider audience. The fund should keep good statistics on the number of projects undertaken, amount of funds leveraged, jobs created, housing units or square feet of commercial space produced, increases in assessed value or property taxes generated, and additional private preservation activity accomplished to demonstrate the impact of its work.

A good board of directors can be effective in increasing local support and gaining publicity. Each board member can be responsible for maintaining contact with key community groups, municipal or state government, major donors, and other business and community leaders to keep them informed of the fund's activities and to solicit their support.

The fund also should consider placing a well-designed plaque or sign and, if appropriate, a colorful banner on each property it assists. This will let people know what the fund is doing and also show activity in the fund's target area.

Not only will these efforts pay off in increased support by citizens and public officials, but they also will attract the attention of potential donors. The information maintained for promotional purposes will make a stronger case when the fund approaches corporations and foundations for additional support.

Funding a Preservation Revolving Fund

A revolving fund requires two types of funding: administrative and programmatic. In addition, project development funding, or "seed money," can help ensure a strong beginning for a new or newly revived fund.

Administrative or operating funds must be raised or earned on an ongoing basis to support the fund's operation. The amount needed will depend on the number of staff hired, the office space available, the equipment needed, the size of the area to be served (a statewide fund will require a larger telephone and travel budget, for example, than a neighborhood fund) and the number of projects to be undertaken. Other costs may include bank service charges, public relations and educational programs, membership fees, reference materials, conferences and other staff development expenses, as well as the cost of an annual audit or financial statement. A long-term view of how the organization will be sustained is essential if it is to carry out the responsibilities it has undertaken as easement holder, tenant, or property owner.

Some of the most stable funds have a secure source of income to cover operating costs. For example, Historic Boston Incorporated in 1960 purchased the 1718 Old Corner Bookstore and adjacent buildings, which at the time housed a pizza parlor, to prevent its demolition for a parking garage. Later, the *Boston Globe* agreed to lease space in the building, which now is in the heart of the bustling financial district. Long-term leases with four major tenants yield substantial income each year to help support HBI's revolving fund and other preservation activities. Such an ongoing source of income helps a fund avoid depleting the corpus of the revolving fund. It also permits a revolving fund board to take more risks with the fund's corpus, since the inevitable losses associated with even the best revolving funds will not threaten the organization's existence. Donors like to know that the majority of their funds will be used for programmatic purposes. A stable source of operating income will help greatly with fund raising.

The program budget should identify funds available to be invested in properties as well as funds needed to cover closing costs, feasibility studies, architectural fees, construction management, legal and accounting costs, holding and marketing costs, insurance, and other project-related expenses. To the extent that the fund's corpus is depleted by project losses or poor investment strategies, it will have to be replenished periodically.

Seed money can help get a new revolving fund off the ground. These funds can be used for community education and outreach to promote historic preservation and the need for a revolving fund and to begin identifying potential projects. Seed money also may be used to acquire options on endangered properties before knowledge of the fund becomes public and prices rise. It can be used to hire a director to coordinate the fund's start-up activities, fund raising, and early project development.

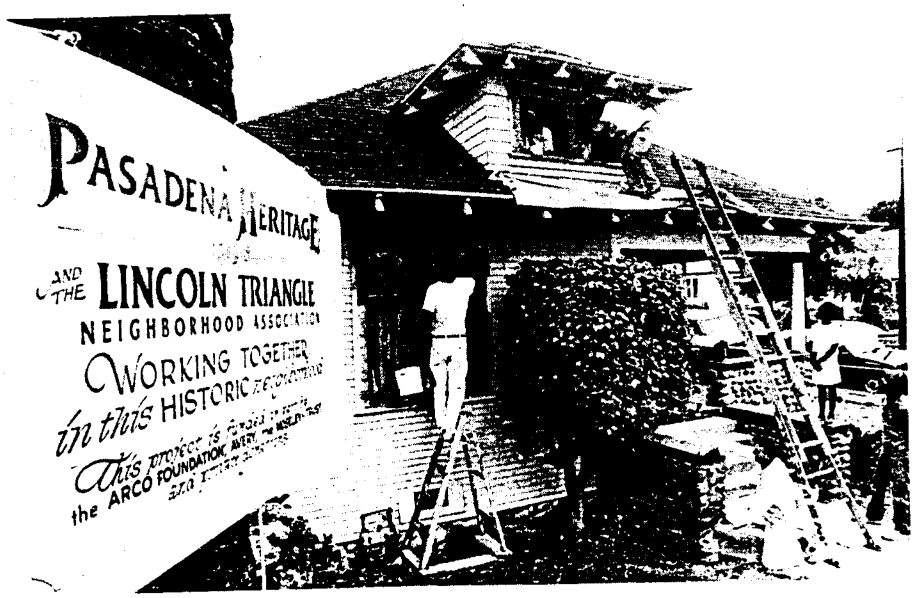


Photo: Walt Mancini, Star News

Distinctive signs and banners can attract attention to work undertaken by the revolving fund. Pasadena Heritage used a large sign to acknowledge donors to the restoration project underway at 73 West Villa Street.

Fund-Raising Plan

All revolving fund organizations should have a fund-raising plan and should reevaluate the plan periodically. An initial plan will be needed to capitalize the fund. The plan should be based on the fund's mission, and should include a concise statement about the need for the fund and its goals and objectives as well as a realistic budget. It should outline the steps to be taken to raise funds, the responsibilities of the various participants, potential sources, and a schedule for implementation. Ongoing fund raising, perhaps with periodic major capital campaigns, can be used to build the corpus and cover any losses.

Fund-raising consultants can be very useful in developing the initial fund-raising plan. The consultant selected should be someone well connected in the community who can help develop the plan and a list of potential donors, and who then can test the waters quietly. Once a few key donors have made commitments, the revolving fund can go public with its fund-raising campaign. The fund-raising goal should be high but not unattainable.

If possible, the fund should hire a staff person with fund-raising skills and experience, preferably in the field of historic preservation. In any case, the board of directors must be involved in all aspects of fund raising. The directors must lead the fund-raising effort, donating their own funds if possible and calling on their friends and associates in the community to give to the fund.

It is critical to have someone to maintain campaign records, acknowledge donations, and keep donors informed. A committed volunteer may be able to undertake those responsibilities, but a staff person generally is needed.

Sources of Start-up Funds

The most common sources of start-up funds for revolving funds are grants from local foundations and corporations or state or local government agencies. Corporations may respond well to the fund's goals of improving the community's quality of life, its understanding of its past, its ability to offer attractive and affordable housing, and its efforts to improve the economic vitality of downtown. Donors also like to know that their funds will be used over and over again to assist many properties.

Initial start-up capital for Preservation/North Carolina's fund came from a single foundation. Additional capital then was raised from individual, corporate, and foundation grants. Preservation/North Carolina also worked out an innovative arrangement whereby the SHPO would pay half the purchase price of National Register properties and the fund would return 75 percent of those funds upon resale of the property, keeping the other 25 percent to use on other projects.

Grants are the best source of funds for start-up capital because they are a permanent addition to the corpus of the fund. It will be very difficult for a fund to undertake risky or long-term projects if it does not have substantial grant funds with which to begin. Sometimes loans may be required to ensure that the fund is active from the beginning and to involve local lenders and other parties in the preservation process. Local lending institutions can provide funding in the form of a line of credit available to the revolving fund at any time, secured by the fund's assets or personal guarantees or in the form of an agreement to lend funds on a project-by-project basis.

Some foundations may be willing to provide program-related investments (loans) to the fund if its goals are in keeping with those of the foundation and if the investment can yield a reasonable return. Fund managers should bear in mind, however, that the risks they take with program-related investment loans or loans from local lenders must be consistent with the need to repay the funds.

Revolving funds also can get underway with the proceeds from the sale of current assets or properties donated to the fund for that purpose. Corporations often own surplus property that can be converted to cash for the fund and individuals may be willing to donate properties to a good cause. After several years of planning, the Georgia Trust for Historic Preservation initiated its revolving fund in 1990 as a result of a compelling need to save an endangered property in Sparta. An option was purchased on that house and subsequently the Georgia Trust received a donation of another property. To build the corpus of its fund, the Georgia Trust applied for and received grants totalling $450,000 from two foundations and a number of individuals. Additional funds were raised through the sale of a property donated through a bargain sale arrangement.

The Wisconsin Preservation Fund has taken a long-term approach to capitalizing its fund. In 1990 it acquired and rehabilitated two large structures—the former Milwaukee County Emergency Hospital and the Schlitz malt house—and leased the structures to the Milwaukee public school system for use as middle schools for a term of 20 years. The costs of acquisition and rehabilitation were financed by the sale (through the Milwaukee Redevelopment Authority) of $47 million of tax-exempt bonds, made possible by the nonprofit ownership of the buildings. The bonds will be repaid through the lease payments. The fund received fees for its role as project catalyst and packager, and at the end of the 20-year lease the school system will have the option of purchasing the buildings for $4.25 million. If the school system does not exercise its option, the fund will own the buildings free of debt and can use the unmortgaged assets to leverage other projects. In the meantime, the fund is involved in other, smaller neighborhood projects such as the rehabilitation and resale of single-family houses and duplexes in the historic Brewers Hill section of Milwaukee. The fund also is the sole general partner of the Milwaukee West Development Limited Partnership, which recently renovated 179 units of housing using the low-income housing tax credit.

Sometimes individual donors may be willing to invest in the fund, either through outright tax deductible donations, low-interest or zero percent loans, or guarantees of bank or other loans awarded to the fund. The former Ottauquechee Land Trust (now the Vermont Land Trust) leveraged financing for acquisition of a historic farm by obtaining loan guarantees from individuals. These guarantors or "charitable creditors" pledged to make a charitable contribution in the event the project experienced a shortfall.

The National Trust's National Preservation Loan Fund lends funds to nonprofit organizations or government entities to establish or expand preservation revolving funds. Interested organizations should contact the appropriate National Trust regional office for further information. The addresses for each regional office are listed on the back cover of this booklet.

Many revolving funds are membership organizations. Although membership dues will not be adequate to cover many expenses, members generally are the most likely audience for fund-raising campaigns. Membership drives expand the base of support and educate the general public about historic preservation and the fund's accomplishments. Members of broad-based preservation groups often rate the revolving fund as their favorite activity. The fund gives the members a sense of involvement in properties; they like the fact that the organization is doing something tangible.

Sources for Replenishing the Fund

Although some revolving funds build their corpus over time, most find that their funds gradually become depleted through project losses and delays. Most real estate projects, particularly the more risky ones generally undertaken by preservation revolving funds, take more time and money than was planned. As a result, fund raising becomes an ongoing or periodically planned activity of the fund's board and staff. Some possible sources for replenishing the fund include:

Foundations. They generally provide grants, but some also make program-related investment loans available at reasonable rates. Fund managers should return to original donors for best results, preparing in advance by keeping the donors apprised of the fund's progress.

Businesses. Local businesses (or regional or national businesses with a significant local presence) may provide donations of money, materials or expertise, or discounts on supplies, office equipment, office space, and computer time.

Local Lenders. Lending institutions may provide donations from bank-administered trust funds or from their own giving programs. Loans from financial institutions have been discussed previously.

Individuals. The fund's members and other interested individuals often will respond to requests for donations targeted to a specific project. Members' annual donations (include a space for this purpose on the membership renewal form), planned giving (donation of funds or property through a will or other legal mechanism), or giving through community foundations are other sources of individual support.

Government Entities. Municipalities can provide funding through general appropriations or special project support. Local governments may provide assistance in the form of cash, services, or property donations. Statewide bond issues, often passed in cooperation with environmental groups, have provided preservation revolving funds with substantial resources in a number of states. State appropriations on a one-time or annual basis also can provide support. Federal sources of funds include Department of the Interior grants through the SHPOs and Department of Housing and Urban Development Community Development Block Grants through the city or state. The Farmers Home Administration and Small Business Administration also may have loan funds available. Offices of U.S. senators and representatives have information on federal sources, which vary from year to year.

Return on Real Estate Investments. Some funds receive income from sound real estate investments. Funds may participate (often through a subsidiary or related corporation) in limited partnerships formed to undertake projects using the low-income housing and/or historic rehabilitation tax credits.

Sale of Services. Once a fund has developed some expertise and a good track record, it can earn income by preparing or reviewing rehabilitation plans and specifications, overseeing construction projects, analyzing project feasibility, matching investors with real estate projects (but beware of potential liability issues), or similar endeavors.

Special Events. Although they generally require a great deal of staff and volunteer work, house tours, block parties, annual festivals and similar events are good fund raisers. They also attract new people and good press coverage and help demonstrate community support for the fund.

Targeted Mail Solicitations. Mail solicitations usually work best if they are targeted to a pre-selected audience and highlight a specific project. Emergency acquisition projects are good candidates for this approach, particularly if the property is well known in the community and endangered in some way.

Profit From the Sale of Properties. Many funds raise substantial sums through the sale of properties donated by individuals, or surplus properties donated by the city, state highway department (these may be offered in lieu of demolition and often require moving) or corporations. Local lenders may donate properties they have acquired through foreclosure. The fund also can purchase properties at tax foreclosure sales and resell them. In the case of foreclosed properties, however, the fund must beware of possible rights of redemption by the prior owner. The fund also may benefit from fee simple property exchanges where, for example, the fund trades a commercially zoned property, which may have been donated, for a historic house it can protect and resell.

Sale or Transfer of Development Rights. In jurisdictions where appropriate legislation exists, the fund could sell or transfer the development rights of property it owns and seeks to protect to an entity seeking to build a larger structure or more intensively develop a parcel of property elsewhere in the same jurisdiction.

Leveraging Other Resources

Preservation revolving funds typically have limited resources and cannot buy every preservation project in their area. Strong revolving funds not only buy and sell property; they also work to make preservation funds more available through other sources. By demonstrating the success of their own projects and involving bankers, real estate lawyers and other experts on their boards, funds can help ensure that more money is available to individuals and organizations interested in preservation. Also, simply by its existence, a revolving fund can influence the future of historic properties. Historic Boston's executive director recently explained his organization's role: "Historic Boston has succeeded in saving buildings by making offers to invest or lend money without ever having to write a check, because other parties were persuaded to carry out the preservation activities. Our contribution was to re-analyze people's conception of what needed to be done and remove the 'no money is available' argument for demolishing buildings."

Resources

Although very little is available about revolving funds in particular, a wealth of information has been published on related topics of interest to revolving fund managers and boards.

Protecting and Preserving Communities: Preservation Revolving Funds. Edited by Susan J. Lutzker and Lyn Howell Moriarity. Washington, D.C.: National Trust for Historic Preservation. 1991. Revised 1993. Available from the National Trust for Historic Preservation at (202) 673-4054. Includes more than 650 pages of articles, book excerpts, outlines and sample documents useful for revolving funds and nonprofits involved in real estate transactions. Materials suitable for newly forming and more experienced funds and for acquisition/resale and relending funds. The cost is $55.

Handbook on Revolving Funds for Nonprofit Historic Preservation Organizations. Raleigh, N.C.: Historic Preservation Foundation of North Carolina and Young Lawyers Division of the North Carolina Bar Association. 1986/1987. Includes information on structuring a fund, marketing strategies, fund raising, operations, easement programs and sample legal documents. Targeted to newly forming funds primarily interested in acquisition/resale activities. Available from Preservation North Carolina, P.O. Box 27644, Raleigh, N.C. 27611-7644. The cost is $12.

Revolving Funds for Historic Preservation: A Manual of Practice. Arthur P. Ziegler, Jr., Leopold Adler, II, and Walter C. Kidney. Pittsburgh: Ober Park Associates, Inc. 1975.

"Using a Revolving Fund for Downtown Preservation." J. Myrick Howard. *Preservation Forum.* National Trust for Historic Preservation. Summer 1989.

Information Series. National Trust for Historic Preservation. The most relevant booklets include: *Legal Considerations in Establishing a Historic Preservation Organization, Using the Community Reinvestment Act in Low-Income Historic Neighborhoods, Rescuing Historic Resources: How to Respond to a Preservation Emergency, A Self-Assessment Guide for Community Preservation Organizations, The Economics of Rehabilitation, Establishing an Easement Program to Protect Historic Scenic and Natural Resources, Steering Nonprofits: Advice for Boards and Staff,* and *Quest for Funds Revisited: A Fund Raising Starter Kit.* For more information contact: Information Series, National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. The cost of each booklet is $5.

Landmark Yellow Pages. Pamela Dwight, Editor. Washington, D.C.: Preservation Press. 1993. Includes a list of active preservation revolving funds. The cost is $19.95.

A Guide to Tax-Advantaged Rehabilitation. Sally G. Oldham, Jayne F. Boyle, esq. and Stuart M. Ginsberg, esq. Edited by Ian D. Spatz, esq. Washington, D.C.: National Trust for Historic Preservation. 1986. Available for $5 from the *Information* series.

1993 Directory of Private Nonprofit Statewide Preservation Organizations. Greta Terrell, Editor. Washington, D.C.: National Trust for Historic Preservation. 1993. Includes summary overview of preservation revolving funds of statewide preservation organizations. Available for $5 through the *Information* Series.

Tax Credits for Low Income Housing: Opportunities for Developers, Non-Profits, and Communities Under the 1986 and Subsequent Tax Acts. Seventh Edition. Joseph Guggenheim. Glen Echo, Md.: Simon Publications. 1992. To obtain a copy write: Simon Publications, P.O. Box 229, Glen Echo, Md. 20812.

The Economic Benefits of Preserving Community Character: A Practical Methodology. Government Finance Research Center of the Government Finance Officers Association. National Trust for Historic Preservation Critical Issues Fund report. 1991. To obtain a copy write: National Trust for Historic Preservation, Department of Law and Public Policy, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036.

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The mission of the National Trust for Historic Preservation is to foster an appreciation of the diverse character and meaning of our American cultural heritage and to preserve and revitalize the livability of our communities by leading the nation in saving America's historic environments.

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The Preservation Forum of the National Trust is a membership program for professionals and organizations. The benefits and privileges of membership include subscriptions to *Historic Preservation Forum, Historic Preservation* magazine, *Historic Preservation News*, participation in financial/insurance assistance programs, technical advice, and substantial discounts on professional conferences and educational publications. New *Information* booklets are available free upon request. To join, send $75 annual dues to: Preservation Forum, National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036 (202) 673-4296.

The National Main Street Network is a membership program for individuals and organizations involved in downtown and neighborhood commercial district revitalization. Network members receive the same benefits as Preservation Forum members and, in addition, receive a subscription to *Main Street News*, access to the Network Exchange telephone assistance line and discounts on Main Street Network publications, conferences and workshops. To join, send $195 annual dues to the National Main Street Network at the address listed above or call (202) 673-4219.

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PARK CITY 1884

Council Agenda Report

DATE: April 17, 1998
DEPARTMENT: Recreation
AUTHOR: Kathy Kelly, Recreation Services Manager
TITLE: **Restaurant at the Racquet Club**
TYPE OF ITEM: Direction

SUMMARY RECOMMENDATIONS:

Provide staff with direction on proposals for the restaurant space at the Racquet Club.

DESCRIPTION:

A. Topic:

Staff has been looking at alternatives for the space vacated by Courtside Restaurant.

B. Background:

In late December 1997, Courtside at the Racquet Club broke its lease and left the Racquet Club. The City bought the physical assets of the restaurant. A portion of the purchase price was the rent owing. The City Council requested that staff study alternatives and report back to the Council.

Courtside had an absentee owner who was rarely on premises. Marketing was minimal, smoking was allowed and the private club license made it difficult for those under 21 to use the restaurant.

The space was producing $30,000 per year in lease payments.

C. Analysis:

During the past few months, we have done focus groups with staff and customers; spoken with several successful restauranteurs in town, and talked to people who are interested in the space. Here are some alternatives:

1. Lease the space to a restaurant. Most of the staff and customers in the focus group expressed a strong desire to see the space used as a restaurant. The Tennis community especially is interested in having a restaurant on site. There is also the feeling that a good family restaurant would be

welcomed in the neighborhood. As the City owns the approximately $40,000 in restaurant equipment and furnishings, they would be best used in the restaurant business. There was a general agreement that the facility should be non-smoking and a restaurant license used instead of a private club license. This would allow greater use by our younger patrons who come alone for after school lessons and sports.

We have already been approached by three groups interested in opening a restaurant in the space.

A second restaurant alternative would be to hire a restaurant manager and run the restaurant as a City venture. A committee of staff and customers would be used to plan the menu and atmosphere. The restaurant would become part of the Recreation Department.

2. Convert to City office space. There is about 4,000 square feet of usable space, including one existing office. This would allow for a significant number of employees to be located in the space. There would be considerable expense in removing the kitchen and constructing offices. Some participants in the focus group felt that the community would not accept using the area for something other than recreation or a restaurant.

3. Seek a private group to lease the space and convert it to office space/small convention center. We have been approached by a local business person who is interested in leasing the space for this purpose. Under this scenario, the City could sell the restaurant assets. It is unlikely that a leasee would be willing to undertake all the renovation costs.

4. Locate a Teen Center in the space. We have been approached by a high school student with a proposal to use the space for a teen center. (His proposal was for summers only, Friday and Saturday nights.) A Teen Center would not generate $30,000 in revenue for the Recreation Fund, and a General Fund subsidy would be needed. The space is also quite large for such a use; so a Teen Center could share the space with offices or another business.

5. Seek a private group to lease the space for daycare, preschool, or other school. Interested parties have approached us in the past about leasing space for children's programs. As in 3 above, renovations would be required. Preschools also have special requirements for fire exits, restrooms, etc. which might make this a difficult space for their use.

D. Review:

This report has been reviewed by the Leisure Services Director, City Manager and Finance Manager.

ALTERNATIVES:

A. Request for Proposal for a restaurant.

B. Convert to City office space.

C. Lease for office space.

D. Teen Center.

E. Daycare or pre-school.

SIGNIFICANT IMPACTS:

A. A restaurant would produce a revenue stream for the recreation fund, and patrons would be able to have food and drinks on premises. The last two restaurants have not done well financially and the proposals for a new restaurant would need to be carefully reviewed by a committee.

B. The space would provide significant office space for the City. There might be public concern over this use of the space. The General Fund would need to make up the revenue loss to the Recreation Fund.

C. There would be a revenue stream to the Recreation Fund. The equipment could be sold for additional revenue. Such an arrangement would probably need the City's participation in the renovations. The conversion of recreation space to office space might not be acceptable to the community.

D. The space has the necessary components for a Teen Center. A Teen Center would not make full time use of the space, nor would it need the entire space. Under this scenario, part of the space could be converted to other uses such as office space. A snack bar could be run during daytime hours . As in B, the General Fund would probably need to make up revenue loss.

E. Same as C.

PARK CITY
1884

Council Agenda Report

DATE: April 17, 1998
DEPARTMENT: Recreation
AUTHOR: Kathy Kelly, Recreation Services Manager
TITLE: **Fitness Center**
TYPE OF ITEM: Update

SUMMARY:

Update on the Racquet Club Fitness Center.

DESCRIPTION:

A. Topic:

Update on Fitness Center financials and relocation.

B. Background:

In early 1997, the Racquet Club began operating the Fitness Center, using equipment owned by U.S. Skiing. The current Agreement with U.S. Skiing runs until January 1999. However, they have recently indicated a desire to renew the Agreement as their plan for a new facility has fallen through.

The impact on the Fitness Center by U.S. Skiing has been minimal. Thirty-six passes have been issued to athletes, but they rarely use the facility. Use by Administrative Staff has been even less: about 4 staff use the facility regularly. Fifteen punch cards have been issued.

During the first six months, unanticipated factors caused revenues to run below projections. The Fitness Center has run at slightly better than break-even since October.

C. Analysis:

Factors which have affected revenue:

1. When the Fitness Loft leasees left the Racquet Club, they refused to reimburse their members for multi-month passes they had bought from the Fitness Loft. These customers were

understandably upset and Leisure Services made the decision to honor these passes and not leave the customers caught in the middle. Eighty-five people had passes, ranging from one to nine months in duration. The passes had a total value of $6,000 . There were also 20 punch cards honored, with a value of $3,000. In total, we comped approximately $9,000 in fees.

2. The Racquet Club's inability to sell monthly memberships angered many customers, who then joined other facilities. We still have potential new customers walk away when they find out we do not have monthly passes. In a recent survey of private and municipally owned facilities, virtually all offer fitness center memberships.

3. The Fitness Center does not have enough cardio and free weight equipment. During the first several months of operation, U.S. Skiing was unable to obtain all the equipment listed on the original Olympic Training Center inventory. In May, we received two additional pieces. We still need a good stationary bicycle and another treadmill, at the least. See attached comments from the Recreation Survey.

4. The current area is very crowded, and programming classes has been difficult. The ventilation is also poor.

5. Because of the above problems, we have held off doing an extensive marketing campaign.

The new area is nearly complete. The cost for the renovation will be approximately $82,000. Sufficient funds are budgeted in the Recreation Facilty ($50,227) and Building ($69,149) CIP project accounts to cover this cost.

The Fitness Center will be moved during the last weekend in April. This will solve the problem of crowding and poor ventilation. We have a good grass roots marketing campaign planned to get the word out about the Fitness Center. This should bring some additional monthly revenues.

The Spinning program will also be launched in about two months. We have purchased the bikes, and are in the process of hiring and training instructors. We have had continued interest expressed in the program.

We are also studying "down times" for the Fitness Center and will cut back on staffing during these times. These down times include weekday afternoon and weekend evenings. The Center will be monitored by camera from the Front Desk during these times.

A majority of recreation facilities find that their Fitness Centers are their largest revenue generators. The keys to making our Fitness Center a financial success are to expand and improve our cardio equipment and to sell monthly passes.

We are in the process of completing a five year plan for the Racquet Club. Part of that plan includes a proposal to change our fee structure to include monthly, quarterly and yearly passes. As it pertains to the Fitness Center, Staff would like to receive Council input on monthly passes. Attached are some sample pass prices from other facilities.

D. Review:

This report has been reviewed by the Leisure Services Director, the City Manager, and the Finance Manager.

ADDENDUM:

I. Comments from the Recreation Survey:

*I believe the P.C. Racquet Club needs to greatly improve their weight-training facilities.

*Build a weight lifting/fitness center that is affordable for the workers! Perhaps they would have less hangovers and be in better shape to serve the customers. There are many locals that can't afford the existing facilities.

*Obtain better equipment -bikes, treadmills, steppers, etc. Exercise machines are fine for body building.

*RC weight room facility is poor.

*The fitness center at the RC needs more free weights.

*Please improve the condition and update weight training area and free weights.

*Enhance RC fitness facility.

II. Sample Monthly Pass Prices

	Resident	**Non-Resident**
Breckenridge, Colorado	$34.50	$42.50
Avon, Colorado	$25.00	$35.00
Silverthorn, Colorado	$33.00	$55.00
Canyon Racquet Club, UT	$40	
Cottonwood Heights	$30	

RACQUET CLUB FITNESS CENTER

FY97

Month	Revenue	Payroll	Other	Net
Feb 97	$1,549	$3,894	$120	($2,465)
Mar*	$2,997	$3,316		($319)
Apr	$1,534	$4,034	$502	($3,002)
May	$4,467	$4,325	$443	($301)
Jun	$3,209	$4,566		($1,357)
Total	$13,756	$20,135	$1,065	($7,444)

OTHER:

Passes Honored	$9,000
Equipment	$5,924

FY98

Month	Revenue	Payroll	Other	Net
Jul 97	$3,733	$4,772		($1,039)
Aug	$3,373	$4,603	$243	($1,473)
Sep	$2,052	$4,478	$350	($2,776)
Oct	$4,472	$4,217	$374	($119)
Nov	$3,491	$3,323		$168
Dec	$4,013	$4,125	$361	($473)
Jan	$5,077	$4,784		$293
Feb	$4,060	$3,947		$113
Mar	$3,497	$3,431	$24	$42
Total	$33,768	$37,680	$1,352	($5,264)