



Preservation North Carolina

THE ENDANGERED PROPERTIES PROGRAM

Preservation North Carolina's Endangered Properties Program has helped save more than 600 historic places since 1977. Many of these properties would have been lost without PNC's involvement, and the organization's involvement has generated private investments of approximately \$200 million.

The key to this program's success is its **revolving fund**. The revolving fund works much like an animal shelter for historic properties: PNC acquires endangered historic properties either through option, donation or outright purchase and then finds buyers willing and able to rehabilitate them. As a condition of sale, covenants are placed on the property to ensure its protection in the future.

What kinds of properties does the Endangered Properties Program work with?

For Preservation North Carolina to get involved with a property, it must be endangered, significant, buyable, and sellable.

- A property is considered **endangered** if it is threatened with immediate demolition, seriously deteriorated or vacant, or likely to be inappropriately subdivided or otherwise lose its historic integrity.
- At a minimum, the property must be **significant** enough to be eligible for the National Register of Historic Places.
- "**Buyable**" and "**sellable**" means the owner of a property is willing to sell or give the property to PNC, and the property must be marketable -- in PNC's opinion. Since the organization is accustomed to working with problem properties, its notion of marketability is often different from the traditional real estate market!

Saving North Carolina's heritage through the Endangered Properties Program

BEFORE



AFTER



The Eure-Roberts House in Gates County is an early 19th century, side-hall antebellum house with Victorian details. Dr. Surry Roberts donated the property to Preservation North Carolina in 2002. It was sold with Protective Covenants and a Rehabilitation Agreement in June of 2003.

How does the revolving fund work?

Preservation North Carolina learns about endangered properties through its extensive network of local preservationists (including members, advisors and directors), the staff of the North Carolina State Historic Preservation Office, local preservation commissions, concerned residents, municipal staff, and others. All properties are sold subject to protective covenants and a rehabilitation agreement to buyers willing and able to undertake the rehabilitation. Having local volunteers help with showing the property and keeping it presentable is also essential.

When does the revolving fund purchase properties outright?

Occasionally, Preservation North Carolina purchases properties outright or through a bargain sale when the property or circumstances are exceptional. More often, PNC will option a property from the owner as it requires a much smaller capital investment than an outright purchase.

What is an option?

An option gives PNC the right to purchase a property for a specified period of time, typically not less than six (6) months. If a buyer is found during that period, then PNC purchases the property from the owner and resells it to the new buyer on the same day. The option agreement specifies a purchase price agreed to by PNC and the owner. PNC typically markets the property at a slightly higher asking price in order to recoup its marketing and staff expenses.

What about gifts of real estate?

Preservation North Carolina also works with properties through donation. Gifts of property, both historic and non-historic, are very important to the financial stability of our organization. These gifts not only provide funding for our work to continue, but they also may provide the donor with a substantial tax deduction. It may also allow a property owner to avoid capital gains and other taxes. When a property is donated, PNC may be able to provide owner financing in order to assure the property's preservation.

What is a bargain sale?

A bargain sale is when PNC purchases a property for less than the property's fair market value. The original owner of the property receives some cash from the sale and can take a tax deduction for a charitable gift of the difference between the purchase price and the appraised value of the property.

What is an option to donate?

When an owner is agreeable, an option for a donation or for a bargain sale is an ideal arrangement for PNC. The option allows PNC to acquire the property by donation or at a reduced price during a specified period of time. This gives PNC time to test the market and perhaps even find a buyer during the option period. If PNC is comfortable that it will be able to find a purchaser within a reasonable time, then it will take title to the property before the end of the option period.

BEFORE



AFTER



PNC was given an option to purchase the Abernethy House in Charlotte for \$1.00. PNC sold the property to the current owner in 2009; renovation is scheduled to be completed soon.

What about government-owned “surplus” properties?

N.C.G.S. 160A-266 allows municipalities to sell historic properties to non-profit organizations like PNC using private sale procedures, thereby permitting them to bypass cumbersome bidding procedures. In addition, N.C.G.S. 153A-176 permits counties to use the same procedures. The property itself must be significant for either its architectural, archeological, artistic, cultural, or historic associations; its relationship to such a property (for example, a lot to which a historic house might be relocated); or for its natural, scenic, or open condition. The deed conveying the property must include a preservation or conservation agreement as defined in N.C.G.S. 121-35.

BEFORE



AFTER



An outstanding example of the reuse of a surplus public building, the Mayworth School in Cramerton was sold by the county and town through PNC in 2002 subject to protective covenants. The re-opening of the renovated school building, now apartments and a community center for senior citizens, was celebrated in March 2009. In addition to sparking \$5.7 million in new investment in the downtown area, the Town of Cramerton also received funds from the project to upgrade a nearby park.

Does the revolving fund restore its own properties?

No. The revolving fund will at most do minimal stabilization work to secure the property. It relies on the buyers who enter into a rehabilitation agreement with PNC at closing to under take the rehabilitation.

Who are the buyers of these properties?

About one-third of the buyers are North Carolinians. Occasionally they have family associations with the properties. Typically, they are purchasing the properties for reasons of the “heart” rather than reasons of the “wallet.” Other buyers are attracted to North Carolina by its high quality of life and its impressive stock of historic properties.

What loans are available to buyers to finance purchases and restoration?

Many of PNC’s properties are too deteriorated for a conventional mortgage. Many buyers will use their own financial resources (such as a line of credit) to purchase the property and obtain a construction loan for rehabilitation. Upon completion of the work, they usually obtain permanent financing. In some cases owner-financing may be available, but this will vary for each property.

Can a buyer borrow money from the fund for a restoration?

No. PNC’s revolving fund is not a loan fund. When properties have been donated to PNC, short-term financing for a buyer may be a possibility.

Are there other financial incentives available?

In North Carolina both federal and state tax credits for historic rehabilitation are available for both income-producing and non-income producing (generally owner-occupied homes) structures. Additionally, there may be other federal or local tax credits or incentives available. Information about these other incentives are often included in PNC’s advertisements.

Does PNC make money on its properties?

Usually not. Most of the properties with which the fund works are endangered and not conventionally marketable. If someone could have turned a profit on them, they already would have. Proceeds from the sales of donated properties are used by PNC to help replenish the fund.

How are the properties advertised?

The main source of advertising is through PNC's website which receives over 1.3 million hits per month. Properties are also advertised on www.preservationdirectory.com, www.historicproperties.com, www.historichomesteads.com, and www.historicforsale.com. In addition, PNC publishes a biannual magazine *North Carolina Preservation* which has a circulation of approximately 7,000. Additional advertising may be done in *Preservation* magazine (the National Trust for Historic Preservation's magazine) and other national magazines along with press releases to local media.

What happens when there is a violation of the covenants?

Usually problems can be worked out with a property owner on a friendly and constructive basis. However, in the event of a serious violation of the covenants, PNC has the option to repurchase the property at its fair market value if the violation is not corrected.

What happens when an owner wants to sell their PNC protected property?

PNC typically holds a right of first refusal on properties under PNC covenants. This usually requires a 30-day written notice to PNC. The right of first refusal allows PNC to speak with potential buyers about the covenants to address any questions they may have about the protected features of the property and related restrictions.

Do the covenants hinder the sale of properties?

Usually not. Purchasers typically share the concerns of PNC for the long-term protection of the property. Therefore, purchasers usually appreciate the covenants, since the protection extended through PNC's restrictions will avert any future desecration of the property in which buyers are planning to invest a large amount of time, energy and money.

Can property owners place protective covenants on property they already own?

Yes. PNC accepts preservation easements on historic properties which are very similar to the protective covenants it places on the properties it buys and sells. These preservation easements provide a welcome tool for owners to safeguard the future of their property in perpetuity. In some cases, property owners can take a tax deduction for the donation of a preservation easement.



In December of 2002 the owners of the Vardell House (also known as Opicherhoka) in Blowing Rock placed an easement on the house and its surrounding 1.76 acres to ensure its protection in perpetuity. The easement protects the historic features of the home and prohibits subdivision of the land to ensure its serene setting for generations to come.