

Saving Key Landmarks

Part II: Planning Your *Business Plan* – the Essentials

presented by

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Field Service Program

A Partnership of

Maine Preservation
Greater Portland Landmarks
and the

National Trust for Historic Preservation

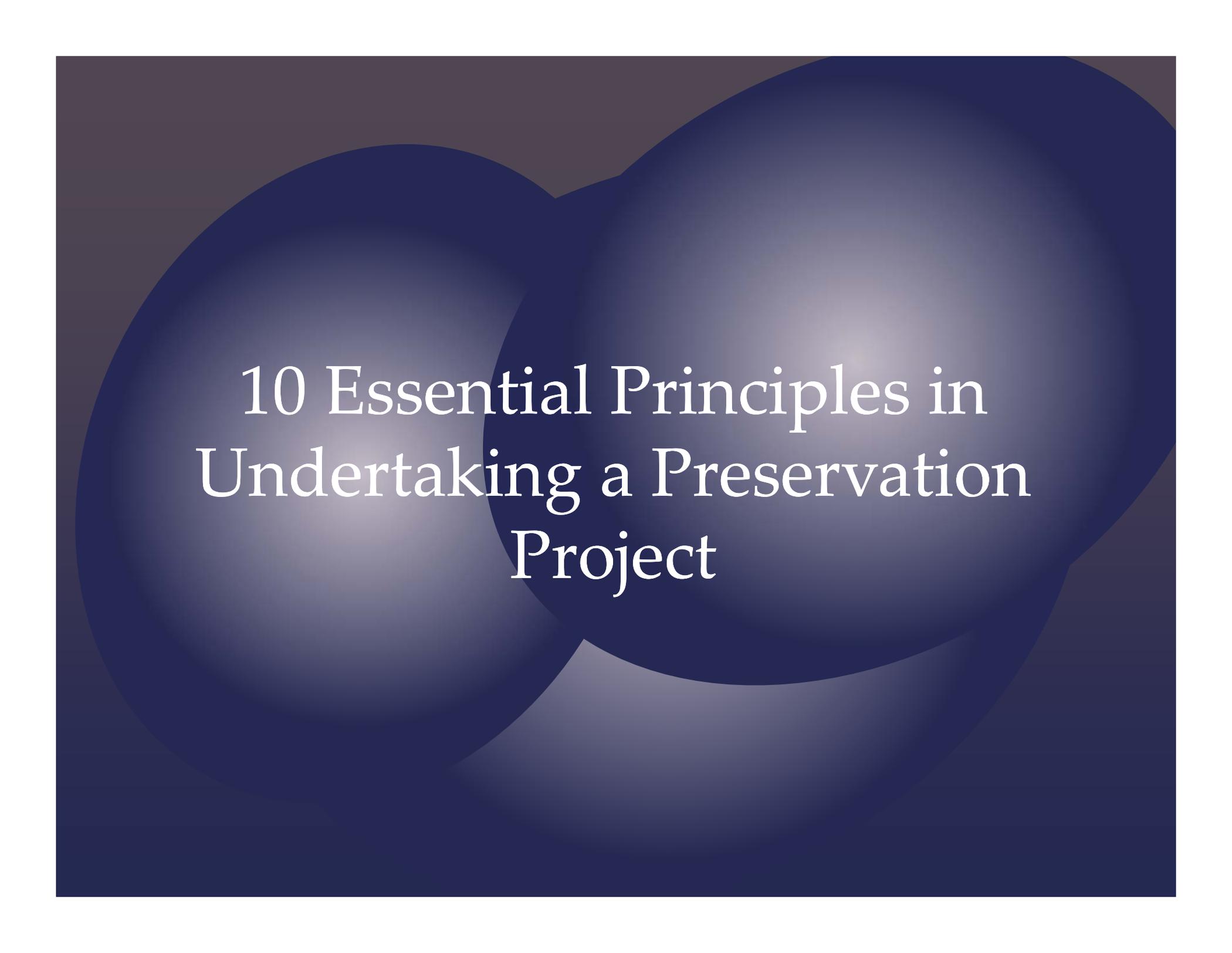
“Landmark” Project Defined:

- District or Cultural Landscape
- Site or Historic Corridor
- Structure (Bridge; Eng. Feature)
- Object (Work of Art; Artifact/Icon)
- Building or Complex (Mill; Rowhouse)

... However you choose to view the undertaking ... It's still likely to be a

Real Estate Development Project - in some form involving:

- Economic Feasibility & Design
- Acquisition
- Financing
- Management

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10 Essential Principles in Undertaking a Preservation Project

1 Organizational Structure

- ROI Goal? or Mission-driven?
- Tax Identity: For-Profit or Non-Profit
- S-Corp, Partnership, LLC or 501(c)3?

1 Organizational Structure Cont'd

- 501(c)3 is a Charitable Organization
- Beware other designations (c)2; (c) 4
- Annual Reporting Requirements
(Corporate tax return and/or minutes
of the Annual Meeting; or the Form 990

1 Organizational Structure Cont'd

- Governance (By-Laws, Officers, Terms, Conflict of Interest clauses)
- Membership?
- Staff and Funding

#1 Organizational Structure – Summary

- Limitations: (Lobbying; Leasing)
- “Profits” must be plowed back into the Mission-defined activities
- Opportunities: (Affordable Housing; Revolving Funds; Low % Loans)

#2 Leadership & Vision

- Leadership is Key
 - Incisive, Balanced, Inclusive; Influential & Representative of the Community
 - Leadership establishes Credibility
 - Vision - must capture aspirations of the community & local government

#2 Leadership & Vision - Cont'd

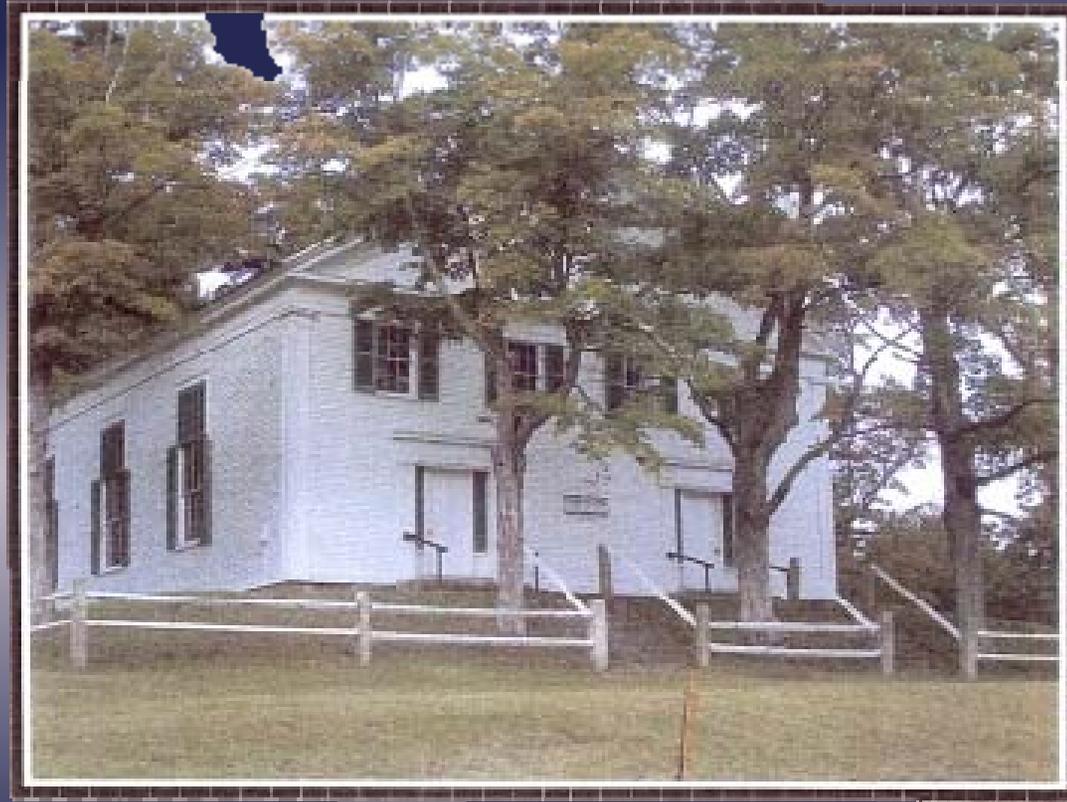
- Vision - *Clear; and Defined*
- Vision - must be *Realistic* (linked to population size; income levels; market demand? Accessible? Affordable?)
- Practical - Meets a *Community* need?
- The Business Plan

#3 Assets & Funding

- What are the current assets? (many types)
- Identify all start-up costs
- Plan for Contingency \$\$ (20%)
- Identify Funding Sources (Gifts, Grants, Loans; projected revenue from sales)

#4 Property Control

- Is the property for sale?
- What are the terms?
- Buying Time: Key Principle
- If Property is Not for Sale – then what?
 - 1) Right of First Refusal
 - 2) Option to Purchase (6 mos. – 2 years?)
 - 3) Lease to Purchase
 - 4) Like-Kind Property Swap



South Waterboro, ME – Old Corner Church

#5 Discipline of Feasibility & Use

- “Use” needs to be more precise than “we want to save the building...”
- Full Building Assessment critical
- Identify Revenue-Producing Use(s) compatible with the building & Mission
- Market and Feasibility Studies *may be combined*



Norway, ME – Opera House

#6 Public Relations - Local, Institutional and Agency Support

- Town/City Government, Boards & Commissions
- Business & Trade Organizations
- Chamber of Commerce, Main Street
- Maine Historic Preservation Commission (SHPO)
& CLG Applicable State & Federal Agencies

#7 Design Guidance and Financing

- For Properties listed in the National Register – using grants & Federal and/or State Historic Tax Incentives – use a qualified Historical Architect (36 CFR 800)
- Quality and Efficiency of Rehabilitation Design is inextricably linked to Cost – and thus both Financing and Marketing
- Start building relationships with lenders early on – in the Schematic Phase, once the Intended Use and Scope of Work have been defined

#7 Design Guidance and Financing

- Understand the complexities of Construction Loans & Permanent Financing, Syndication – *structure your Board of Directors accordingly*
- In current economic environment, it is not unusual to assemble 6 -12 sources of funding, including conventional loans, HUD support, tax credits, philanthropic investment, and city money, along with private equity

#8 Operations & Management

- Non-Profit entities – particularly those unstaffed – may have a tendency to deviate from standard business practices – putting their organizations at risk
- Historic Preservation Projects are not exempted from the rule that buildings which cannot meet debt service obligations, operational and maintenance costs - are soon foreclosed or for sale – or demolished
- The Project – *is a full-time undertaking*

#8 Operations & Management Contd

- Adopt & Practice the Principle of Overnight Income
- Property Management – is a verb – budget for it!
- Never underestimate the deleterious power of Prolonged Vacancy
- Invest in creating a Building Preservation Plan



Masonic Temple, Portland, ME

#9 Maintenance Planning

- Never underestimate the deleterious power – or true cost - of *Deferred Maintenance*
- Develop a *Cyclical Maintenance Plan* – linked to your Long-Range Capital Improvement Plan
- Train your Maintenance Staff *in appropriate technology for historic structures*

#10 Long-Term Protection

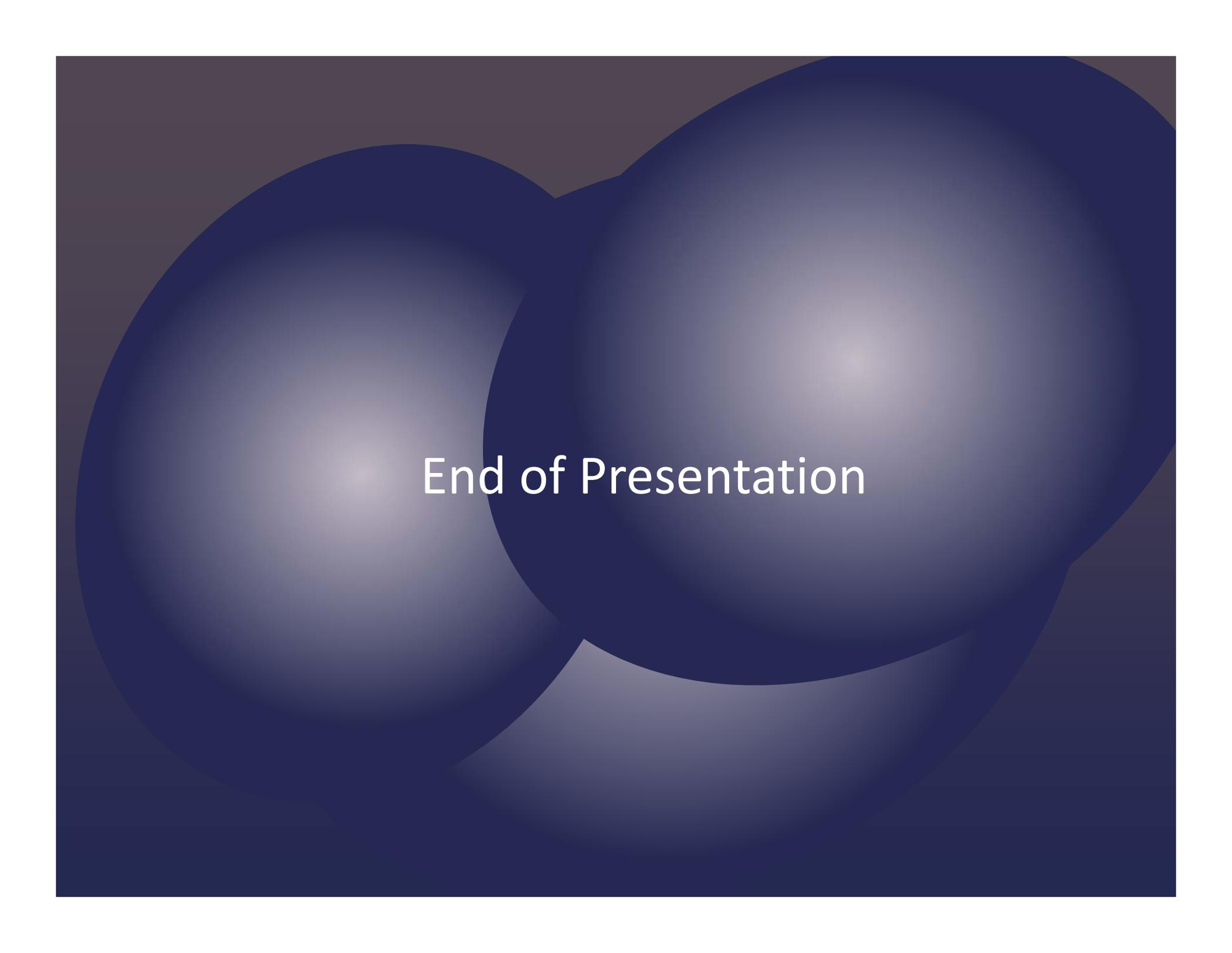
- Insure the Property at *True Replacement Cost*; review conditions annually
 - Price Leasing & Rentals high enough to maintain a 2 – 3% vacancy rate – but *utilize the building to maximum*
 - Nominate the Property to the National Register of Historic Places

#10 Long-Term Protection Contd

- Develop Financial Security Plan which includes a Planned Giving Program, Endowment, and periodic Capital Campaigns (tied to the PP and CMP)
- Consider creation of a Preservation Easement for the exterior/interior, or both

Proven Models for Preservation Community/Economic Development Projects

- **Affordable Housing Development Partnerships** (Avesta Housing; The Szanton Companies)
- **Revolving Funds** (Providence (R.I.) Revolving Fund – now 400+ projects completed; Maine Preservation)
- **Low % Homeowner Loan Programs** (for acquisition and construction) Cleveland Preservation Society, Cleveland, OH
- **Façade Easement Grant and Loan Programs** (City of Portland, many others)

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End of Presentation