

## HCRS HISTORIC PRESERVATION FUND GRANTS: POTENTIAL SOURCE FOR LOCAL AND STATEWIDE REVOLVING FUNDS

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In a number of localities throughout the country, the revolving fund has proven to be an effective and indispensable tool in the protection and long-term preservation of historically and architecturally significant properties. This "vanguard of the preservation movement" has given preservation organizations the financial power to save endangered properties through purchase and subsequent resale with protective covenants;<sup>1</sup> it has often provided the financial incentives and leadership necessary to revitalize decaying historic districts. The fund is renewed with proceeds from building sales and loan payments, providing a constant source of funds with which to save endangered historic properties. The influence of this financial mechanism exceeds the capital pool itself by providing a source of high-risk funds which will leverage private investment, and will often generate further preservation activity in adjacent areas.

The revolving fund has not only had a significant impact on the preservation of the aesthetic and historic fabric of an area, but has enabled the historically significant, yet frequently vacant and deteriorated structures, to once again become economically viable and living parts of a changing community. At the same time, historic preservation revolving funds have proven effective in the stabilization of deteriorating neighborhoods, and have the



Photo: Courtesy of Historic Faubourg St. Mary Corporation.

*Julia Row, New Orleans Central Business District, LA. Second building from left is owned by the Preservation Resource Center, a nonprofit coalition of neighborhood groups, and has received a 2-year interest-free loan from the Historic Faubourg St. Mary Corporation which was matched by an HCRS historic preservation grant.*

potential of playing an instrumental role in preventing the displacement of low-income residents from rehabilitated urban communities.

Precedents for the revolving fund were set in Charleston, South Carolina, and in Savannah, Georgia, during the late 1950s. The

accomplishments of these pioneer programs have been exemplary. The Historic Charleston Foundation Revolving Fund concentrated its efforts in a single neighborhood in order to play a more effective role in stimulating preservation activity. Approximately 60 buildings have been acquired and restored,

encouraging private buyers to purchase and rehabilitate an additional 60 properties, thus doubling the initial impact of the revolving fund. For each dollar the Historic Charleston Revolving Fund has invested in the neighborhood, it has leveraged over \$4 in private money. The Historic Savannah Foundation has estimated that \$20 million of renovation work has been completed over the last 10 years. The initial impact of the revolving fund has more than doubled; it has directly saved over 200 buildings and effected the preservation of another 500 within the historic area of Savannah.

### **Benefits of Revolving Funds**

Public benefits derived from historic preservation revolving fund programs are numerous. In addition to their significant impact on the conservation of the built environment and on the renewal of economic vitality in depressed areas, the revolving funds are labor intensive, conserve energy through reuse of materials, increase the local tax base, and ultimately may contribute to stabilizing neighborhoods. The revolving fund is not only a tool for the prevention of urban decay, but can be used to direct development so that it is compatible with the long-range economic stability of the historic district. In Annapolis, Maryland, for example, the revolving fund has been used to prevent large-scale high-density development. Ironically, the economic success of the restored district attracted the adverse development.

Various investment techniques are used to operate revolving fund programs. Traditionally, the revolving pool has been used in the "buy and sell" capacity to acquire threatened properties through outright acquisition or through purchase of options. The property may or may not be restored with the funds, and is subsequently sold with protective covenants. The proceeds revolve to save other structures. In addition, the revolving fund can serve as a lender. Any full direct loan that the revolving pools provide should be short-term in order to assure early recovery of funds. To stimulate as much historic preservation activity as possible with limited funds, the revolving fund can furnish loan

guarantees or loans in participation with other financial institutions.

### **Administration of Funds**

Revolving funds for historic preservation are both publicly and privately administered. Probably the best example of a successful, publicly managed revolving fund program is in the Oregon Historic District in Dayton, Ohio, which is administered through the City-Wide Development Corporation. The program, funded with Community Development Block Grants (CDBG), lends money directly to individuals for acquisition and restoration of properties within the Oregon Historic District. Since September 1973, over 180 properties have been improved, 70 of them receiving short-term loans.<sup>2</sup> Alaska, South Dakota, and Maryland have state laws establishing revolving funds for historic preservation which will be administered by public agencies. However, there is often difficulty appropriating funds for the programs because of budget priorities and constraints of the state governments.

The majority of revolving fund programs are administered by private, nonprofit corporations. It has been proven that private, nonprofit entities have greater flexibility and can respond rapidly to emergency situations without the regulations and encumbrances of the state laws. The one difficulty that these corporations have confronted in administering revolving funds for acquiring, restoring, and selling properties is the attainment of tax-exempt 501(c)(3) status from the Internal Revenue Service (IRS). Although the IRS has denied tax-exempt status for revolving funds in a few cases, it has reversed its decision when presented with evidence of the significant benefits of revolving funds.

The crucial importance of attaining IRS 501(c)(3) tax-exempt status for the successful development of historic preservation revolving funds is emphasized by Jerry Rogers, Chief, OAHF, in an article in *Preservation News*, May 1976. Rogers reiterates the necessity of administering capital funds through private, nonprofit corporations or

foundations rather than through an agency of the state government. He strongly advocates the importance of the role of revolving funds in the development of state preservation programs. It is without question that the establishment of a statewide revolving fund and the proliferation of local revolving funds provide the financial leverage necessary for the development of an aggressive preservation program.

### **Potential of Historic Preservation Grants as Source for Revolving Funds**

In the *Preservation News* article, Jerry Rogers outlines the untapped potential of federal historic preservation grants that can be used to initiate and perpetuate state and local revolving funds. Furthermore, the revolving fund maximizes the quantity of preservation activity to be carried out with the limited public dollars available. Because the primary goal of revolving funds lies in saving endangered buildings and neighborhoods rather than in necessarily making a profit, the amount of money recouped through sales, rents, or loan payments is often less than the amount invested in the property. Grant funds can serve as an excellent source of nurturing the capital fund.

HCRS survey and planning grants, matched dollar-for-dollar by nonfederal sources, can be used to cover the initial planning costs of a revolving fund, while acquisition and development grants, also matched, can be used to purchase or restore National Register properties. Survey and planning grants can also be used to commission feasibility studies for the reuse of historic buildings. These expenditures can be recovered and returned to the revolving fund for reuse if the cost of the feasibility study is included in the sale price of the property. When a property is sold, proceeds deposited into the fund for reuse are free of all federal restrictions. This recycled federal money is effectively transmitted to the private sector where it can be used quickly to save endangered property. The recycled indirect grants not only can help replenish the revolving fund, but also can be used as a match to obtain additional historic



Photo: Courtesy of the North Carolina Historic Preservation Fund.

*The Bartlett Yancey House, Caswell County, NC. The Historic Preservation Fund of North Carolina purchased an option on the house and farm, and resold the "historic parcel" with deed restrictions and a restoration agreement, and the "farm parcel" of 196 acres with restrictions that protect the adjacent historic structures.*

preservation grants for specific survey and planning or acquisition and development projects. This method of recycling federal money has great potential in strengthening the financial power of local areas for the support of historic preservation activities; ideally this will create a self-supporting mechanism that will not need federal assistance.

A number of State Historic Preservation Offices (SHPOs) have awarded grants to local revolving funds. The amount of historic preservation grants allotted directly or indirectly to revolving fund programs can usually be only a fraction of the pool itself; most funds must come from other public or private sources. Despite the limited amount of historic preservation grants available, their impact can be enormous. They provide the permanent equity necessary to initiate a revolving fund program, which in turn, can leverage additional grants and loans. Kentucky, Connecticut, and Louisiana are examples of some of the states that have helped initiate and replenish local revolving funds through the HCRS grants program.

### *Kentucky*

The Kentucky Heritage Commission recently awarded the Preservation Alliance, a private nonprofit affiliation of local civic and neighborhood organizations, a \$25,000 HCRS Development Grant to rehabilitate three historic properties. Once these properties are restored and sold, the grant

money will indirectly become part of the Louisville Renovation Revolving Fund administered by the Alliance.

The Louisville Revolving Fund has proven to be an essential tool in rehabilitating areas that are unable to receive the benefits of either public or private support. It acquires, renovates, and resells structures with deed covenants, restricting demolition or adverse effect in existing or proposed preservation districts where the financial risk is too great to stimulate private investment and the deterioration is not concentrated enough to draw assistance through public programs. Properties are sold either with or without cosmetic or extensive improvements, and some are retained by the Fund and rented in areas where sale is impractical. The Fund attempts to rid basically sound areas of architectural integrity of "bad apple" structures, which results in increasing confidence in the area and stimulating private investment.

As of September 1977, the grants and loans in the revolving pool were from several national, state, or local public and private sources: Louisville CDBG funds (\$150,000), Louisville Foundation (\$5,000 for the administrative pool), Kentucky Housing Corporation (\$30,000 loan), National Trust National Preservation Revolving Fund (\$25,000 loan), and First National Bank (\$20,000 loan).<sup>3</sup>



Photo: Courtesy of the North Carolina Historic Preservation Fund.

### *Connecticut*

In FY 1977, the Connecticut Historical Commission awarded the Hartford Architecture Conservancy (HAC) Revolving Fund a \$15,000 HCRS survey and planning grant, matched by a corporate grant, to help cover the costs of developing a means to administer and implement the revolving fund. The Conservancy also received about \$60,000 for specific acquisition and development projects which was matched by local sources. Half of these funds were allocated for the restoration of the Day-Taylor House. This represented the first visible evidence of the potential of the revolving pool and helped maintain interest in the deteriorated Charter Oak-South Green area. The Conservancy raised much of its capital fund with this project.

During 1977 the HAC Revolving Fund received grants from the local corporate community (approximately \$150,000), from private foundations (\$25,000), and from HAC members (approximately \$40,000). The Conservancy also received \$50,000 for the National Trust National Preservation Revolving Fund.<sup>4</sup>

### *Louisiana*

The Louisiana Department of Culture, Tourism, and Recreation recently approved a \$10,000 HCRS survey and planning grant to help implement a revolving fund administered by the Historic Faubourg St. Mary Corporation

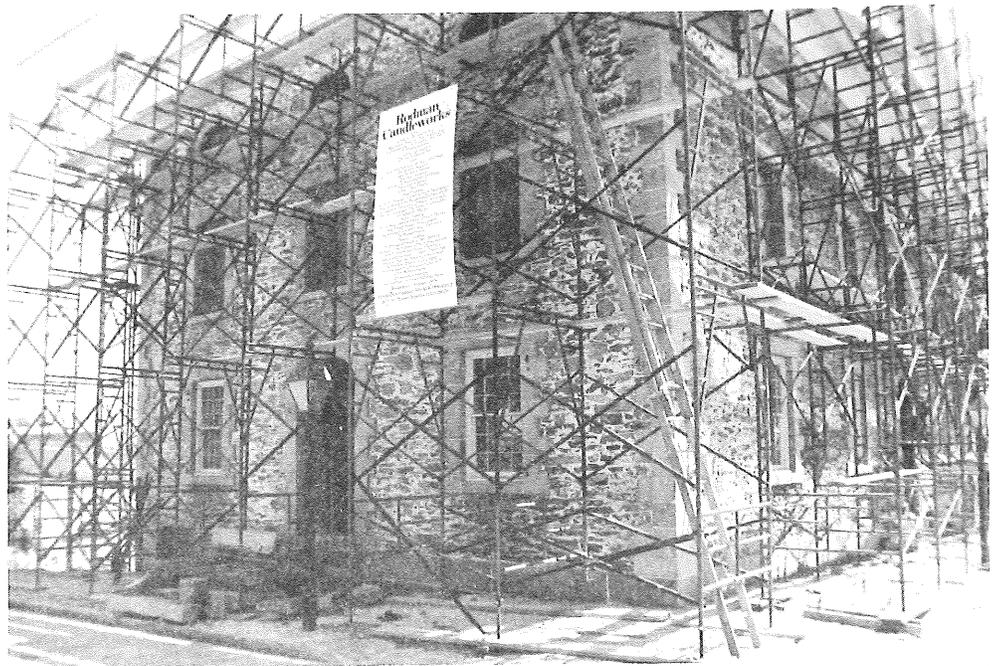
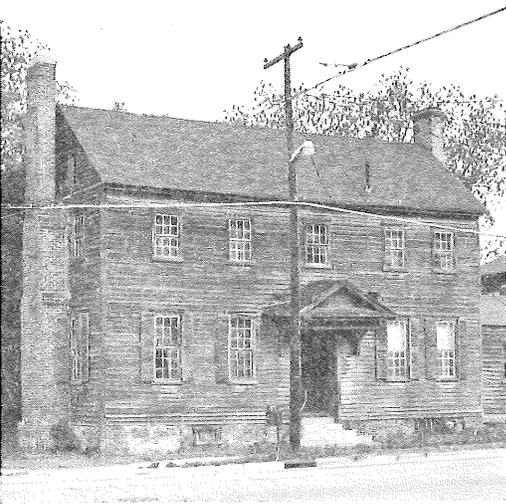


Photo: Courtesy of the North Carolina Historic Preservation Fund. *The Historic Griffin House in Washington, Beaufort County, NC. The Historic Preservation Fund of North Carolina acquired an option on this property, one of the town's oldest buildings, which was in danger of being demolished.*

Photo Courtesy of ACT.

*Rodman Candleworks Building, New Bedford Waterfront Historic District, MA. The restoration is a joint venture between Architecture Conservation Trust (ACT) for Massachusetts and the Waterfront Historic Area League (WHALE).*

(HFSM), a private, nonprofit organization chartered to revitalize New Orleans' central business district (CBD). It encourages renovation and reuse of older and historic CBD buildings as a valuable resource and "critical component of the CBD growth potential."

This historic preservation grant award matched local public funds raised with a special tax levied on real property within the targeted Core Area Development District (CADD). In 1975, New Orleans voters agreed to this tax which established a fund allocating \$200,000 for historic preservation activity over a 2-year period. This precedent-setting tax demonstrates the power of local commitment to stimulate aesthetic and economic revitalization of neighborhoods and historic areas; long-term success of the fund is dependent upon the community.

The first HFSM project was a facade restoration funded by a \$20,000 HCRS development grant which was matched by a non-interest bearing loan. During the past year, the revolving fund has invested in four key properties and conducted a feasibility study on a fifth. Efforts have been made to use the revolving fund to initiate construction which could have a catalytic effect on investment in surrounding buildings.

In September 1977, the CADD

contracted with HFSM for the CADD Historic Preservation Program. This was to provide \$200,000 on a 50/50 matching basis: \$25,000 for administrative expenses and \$175,000 for real estate projects. HFSM also received a \$50,000 grant from a private foundation, \$31,000 from other private contributions, and a National Trust Consultant Services grant. They are confident that fund raising efforts will gain momentum as projects become visible on the streets, and that they will successfully obtain the remaining \$118,400.<sup>5</sup>

### **Revolving Funds as a Source for Rehabilitation Loans**

Revolving funds used as a source of low-interest loans for rehabilitating historically and architecturally meritorious buildings where other loans have been unfeasible represents an important way in which the revolving pool can have an impact on the stabilization of deteriorating neighborhoods. These revolving funds have the potential to involve low- and moderate-income home owners in rehabilitation and restoration and can help prevent displacement of the low-income population from the rehabilitated urban community.

Traditionally, this type of fund has been financed through CDBG allocations, though conceivably the

CDBG could be used to match an HCRS historic preservation grant. In Lexington-Fayette Urban County, Kentucky, and the city and county of San Francisco, California, revolving funds have been used to obtain low-interest loans. The loan program in Kentucky is administered through a public agency, and has been funded exclusively through CDBG allocations. The Heritage Preservation Loan program in San Francisco, on the other hand, is administered by the San Francisco Architectural Heritage (SFAH), a nonprofit corporation, and was initiated by a contract between SFAH and the City Planning Commission which allocated \$200,000 of the commission's CDBG money to the fund. SFAH has developed an innovative method of using the survey and planning component of the HCRS historic preservation grant to leverage additional local public and private funds, which can help stimulate historic preservation activity in neighborhoods outside existing rehabilitation areas.

Both the Lexington and San Francisco programs work toward two goals cited in the Housing and Community Development Act in 1974, "the conservation and expansion of the Nation's housing stock to provide a decent home and suitable living environment for all persons" and "the restoration

and preservation of properties of special value for historic, architectural, or aesthetic reasons."

#### *Lexington-Fayette Urban County Historic Preservation Fund*

The Lexington-Fayette Urban County Historic Preservation Fund has recently been budgeted \$54,000, approximately 5% of the county's CDBG allocation. The Fund provides loans of up to \$5,000 to owner/occupants of buildings in one of Lexington's four designated historic areas. The property must remain owner-occupied for at least 3 years following completion of repairs. Preference is given to owners whose annual family income does not exceed \$20,000.

Eligible exterior repairs constitute facade improvements; eligible interior repairs include heating, plumbing, electrical wiring, roofing, and structural reinforcement. All applications are reviewed by the Board of Architectural Review, by the Urban County of Building Inspection, and by the Kentucky State Heritage Commission. Final approval or disapproval is given by the Commissioner of Parks, Housing and Community Development. <sup>6</sup>

#### *The San Francisco Heritage Preservation Loan Program*

The San Francisco revolving fund will be the pilot for a statewide loan administration program and will be instrumental in implementing and developing future local loan funds throughout California. The California local loan administration program was formulated "to stimulate the rehabilitation of culturally significant housing stock within low-income inner-city areas by funding the administration of local historic preservation loan programs." This goal is reflected in the San Francisco Program objectives which emphasize funding exterior rehabilitation that will benefit owner/occupants of low or moderate income and minimizing dislocation of residents because of increased housing costs or long-term physical disruption. When dislocation cannot be prevented, relocation assistance will be provided.

The California program was

designed to encourage city planning offices to utilize sources of funds such as CDBG allocations, revenue sharing, and HUD section 312 loans for historic preservation activities by providing administrative and specialized consulting services. The California Office of Historic Preservation will use HCRS Survey and Planning grants to fund the administration of local preservation loan programs on a 50/50 matching basis. Historic Preservation Fund monies will not be used as direct loans or as collateral; they will be used only to fund administrative and technical consultant services. The recipient of the funds will be a local governmental agency or a private, nonprofit preservation organization such as the San Francisco Architectural Heritage.

The CDBG funds allocated by the city of San Francisco to the Architectural Heritage Loan program will be used to guarantee bank loans that meet program criteria. As little program capital as possible is committed to each project; the maximum amount of program funds to be used for the restoration and rehabilitation of any single property is \$25,000. Program funds will not be used for property acquisition except in the acquisition of facade easements or acquisition by foreclosure. They will be used to guarantee loans from other sources that will be used "to assist the preservation of historically and architecturally significant San Francisco properties which otherwise might not be improved." The guarantee can provide the security necessary to induce banks to make loans in high-risk areas. As a result, small amounts of program funds can be used to generate extensive preservation activity.

Loans will originate through both the lender and Heritage. The bank or savings and loan association will service the loan; that is, provide credit evaluation, property appraisal, and loan administration. Heritage, on the other hand, will identify and help qualify projects that otherwise might not meet the lender's criteria by coordinating and facilitating the operation of the program. This includes publicizing the program, conducting architectural analyses, screening potential borrowers, formulating write-ups and cost estimates,

soliciting bids and assisting in the negotiation of contracts, aiding in the supervision of work-in-progress, and providing financial counseling on alternative funding possibilities.

At the completion of the project, the guarantee is released, enabling the funds to be applied to other projects. The bank transfers the loan into its permanent loan portfolio or sells it in the secondary market as a conventional real estate or home improvement loan. All proceeds from principal and interest payments on loans or interest payments on program funds deposited must be credited to program funds. <sup>7</sup>

#### **Statewide Revolving Funds**

The use of revolving funds on a regional or statewide basis can aid in the systematic development and proliferation of local funds. A statewide fund can often deal with properties that cannot be protected by existing local revolving funds. The Society for the Preservation of Long Island Antiquities has successfully implemented an island-wide revolving fund and plans to eventually develop a full-time staff of craftsmen and advisers. The Historic Preservation Fund of North Carolina, Inc., represents the first independent, nonprofit, statewide revolving fund for historic preservation to be established in the US. Massachusetts, Connecticut, and Indiana are examples of other states developing statewide revolving fund programs for historic preservation.

#### *The Historic Preservation Fund of North Carolina, Inc.*

The Historic Preservation Fund was established in North Carolina in November 1975 with a \$35,000 grant from the Mary Reynolds Babcock Foundation of Winston-Salem. This fund provides a source of funds for purchasing historic properties (to be resold with protective covenants), acquiring options that can be used to hold property off the market, or for loans or loan guarantees to local preservation groups. Investments will be recovered as soon as possible for reuse on other projects. The fund will not become a long-term owner or manager of historic properties and its capital will not

be used to invest in complete restorations.

In addition to saving endangered properties throughout the state, the fund was created to support the SHPO and the State Division of Archives and History in developing an effective statewide historic preservation program to preserve properties listed in or eligible for listing in the National Register. This includes rural properties as well as urban, and residential as well as commercial. James Gray, Executive Director of the Historic Preservation Fund, emphasized the untapped potential of the statewide revolving fund in its capacity to deal with isolated rural properties that ordinarily could not be protected by the limited resources of existing local revolving funds.

The North Carolina fund also provides specialized technical assistance to "local groups and private investors willing to undertake the preservation of North Carolina's historic heritage." The Historic Preservation Fund staff works with the local communities to find an adaptive use for a property and a buyer who will agree to restore and preserve it under protective covenants. Local involvement in projects is important; for example, in Beaufort County, historic preservation funds were used to acquire the option on a historic house while local funds were used to clean up the property. The historic preservation fund took title to the property, but only after the local historical organization had turned it down.

One of the primary factors in the effective operation of the fund is that it is organized under the private sector. It also has the full cooperation and assistance of the state. The fund staff works closely with the SHPO which keeps the historic preservation fund staff fully informed on the endangered historic properties throughout North Carolina.

The SHPO has proposed an innovative scheme whereby HCRS acquisition and development funds granted to the Historic Preservation Fund of North Carolina would be used once to acquire property on a 50/50 basis. When the property is sold, 75% of the original grant is returned to the SHPO while the North Carolina Historic Preservation Fund retains 25% of the grant; both portions are free of

all federal restrictions. The cooperative agreement provides an additional source of capital for the revolving pool and provides the SHPO a source of funds that can be administered more swiftly and easily than is now possible under the guidelines of the HCRS Historic Preservation Grant program.<sup>8</sup>

#### *Architectural Conservation Trust/ ACT for Massachusetts*

In 1976 the Architectural Heritage Foundation, Inc., chartered the Architectural Conservation Trust/ACT for Massachusetts to stimulate the revitalization of communities in Massachusetts through retention and adaptive reuse of historically and architecturally meritorious structures. The Architectural Conservation Trust revolving fund program attempts to take a comprehensive approach toward the restoration and protection of structures throughout Massachusetts.

The fund is used to acquire and restore property which is then sold with protective covenants. The development work is entirely managed by the ACT staff. ACT helps communities identify significant buildings, prepare feasibility studies of potential uses for structures, and determine strategies for preservation and development. Unlike the North Carolina and the Indiana revolving funds, the Massachusetts revolving fund usually takes title to the property. ACT for Massachusetts states that in every project undertaken, it "will seek uses for buildings which can be sustained, participation of the public and private sectors in partnership, contributions and grants to provide needed subsidy, nonprofit management to maximize cost savings, and recovery of dollars employed to be used again." It also plans to aid in the establishment of local revolving funds to continue these initial historic preservation efforts within the individual communities or neighborhoods.

Funds are also used to provide loans (minimum of \$5,000) to property owners who cannot otherwise obtain loans for the rehabilitation of commercial properties. ACT will extend credit during the construction period with full repayment at completion of the project.

ACT has received financial

support from two private foundations—the Committee of the Permanent Charity Fund and the Mabel Louise Riley Charitable Trust—and from the HCRS Historic Preservation Grants program through the Massachusetts Historical Commission. In order to supplement these funds, ACT seeks additional public and private funding for each project.

HCRS survey and planning grants have been used by ACT to research and formulate the statewide revolving fund mechanism as well as to develop the reuse plans for specific properties. An agreement has been made between ACT and the Massachusetts Historical Commission which will reserve a specified amount of Survey and Planning, and Acquisition and Development grants for the revolving fund. As the need for money arises, it will be supplied under the usual HCRS grant procedures.

The restoration of the Rodman Candleworks Building (see photo 2) in the New Bedford Waterfront Historic District is an example of ACT's work with a local nonprofit organization, the Waterfront Historic Area League (WHALE). The Massachusetts Historical Commission and three New Bedford businesses provided \$6,200 for the ACT staff to prepare a reuse plan for the old factory. Its conversion into office and retail space should be completed in 1978.<sup>9</sup>

#### *Connecticut Trust for Historic Preservation*

The Connecticut Trust is a state-chartered, nonprofit, privately funded organization. Among its functions are the administration of a statewide revolving fund, and the surveying and inventorying of the state to identify possible restoration projects that could be financed by the revolving fund. The Trust will also prepare feasibility studies and adaptive reuse plans for historic structures. It will attempt to stimulate preservation activity by increasing public awareness through education programs.

The Trust has purchased one property with HCRS acquisition and development funds which were equally matched with local

funds; after the property is sold, the funds will return to the revolving pool. According to the provisions of the special act of the legislature, properties acquired by the Trust are free from taxes and assessment. The Trust will also use survey and planning funds to develop the administration of the fund.

By 1979, the Trust hopes to offer challenges to communities. It will focus its efforts on strengthening local preservation organizations and providing technical assistance to enable the local groups to continue their preservation efforts.<sup>10</sup>

#### *Historic Landmarks of Indiana Statewide Revolving Fund*

In November 1977, the Revolving Loan Fund was established with \$150,000 from the Historic Landmarks Foundation of Indiana (HLFI), a private, nonprofit statewide organization. The fund will assist local preservation organizations in saving and reusing properties of historical and architectural significance throughout Indiana. It will be used to match local monies for the purchase of endangered property with the intent of reselling the property with protective covenants, at which time the Revolving Fund Loan is paid back to HLFI.

Unlike many statewide revolving funds, Indiana's revolving loan programs are intended to expand and strengthen local historic preservation efforts by providing incentives for local organizations to establish their own revolving fund programs. The loan fund program will serve as banker and adviser to local preservation organizations. Revolving fund monies will be disbursed to local nonprofit preservation organizations and are not intended for individual restorers or purchasers. The HLFI does not plan to purchase buildings or to take title. In order to receive funds, the organization must present a plan for continued preservation of the property, including application of facade easements or covenants placed on the property's title by the local group. The fact that title will be held at the local level may stimulate the establishment of local nonprofit organizations. In addition, the local organization's

efforts to identify potential acquisitions could lead to the development of local survey programs.

In assessing the eligibility of applications, primary consideration is given to properties on or eligible for listing on the National or State Register either individually or as part of a national or state historic district. Careful consideration is also given to existing or potential broad-based community support for the project. Most loans from the revolving Fund will be matched by local monies and the ratio of local to HLFi match will be determined on an individual basis.

The Historic Landmarks Foundation of Indiana has funded two local revolving funds: the Old Northside Revolving Fund and the Lockerby Square Revolving Fund. Although HCRS Historic Preservation Grants have not been used by HLFi, it is anticipated that they will be used in the future.<sup>11</sup>

#### **Other Funding Sources for Revolving Pools**

There are numerous federal, state, local, private, and public sources of funding which can be leveraged to initiate and replenish revolving pools for historic preservation. To implement revolving fund programs, it is necessary to first acquire permanent funds such as grants or donations and then to supplement them through borrowing. Private lenders such as individuals, corporations, and foundations are excellent sources of permanent equity. Bond tools can also be used to provide capital for revolving funds.

The National Preservation Revolving Fund, sponsored by the National Trust for Historic Preservation, has been a primary source of private funds for the establishment of local revolving pools throughout the US. It provides low-interest loans, averaging between \$25,000 and \$50,000, to nonprofit or public member organizations.

Among the federal programs that can fund historic preservation revolving pools are: Community Development Block Grant and Urban Development Action Grant Programs, Department of Housing and Urban Development; the Special Economic Development and Adjustment Assistance (Title

IX) Program, Department of Commerce; and the Revenue Sharing Program, Department of the Treasury. The Urban Reinvestment Task Force provides high-risk loans for revolving funds through its Neighborhood Housing Services program to stimulate lending by financial institutions for deteriorating neighborhoods. For a brief description of these programs, consult *Sources of Preservation Funding*, compiled by the Planning Branch, National Register of Historic Places, Heritage Conservation and Recreation Service, US Department of the Interior, Washington, DC 20240. Detailed information on each of these programs can be obtained from the appropriate agency in Washington, DC.

Community Development Block Grants (CDBG) can play a significant role in the development of revolving funds for historic preservation. The Housing and Community Development Act of 1977 enables grant recipients to receive their designated funds in a single payment to establish revolving loan funds for rehabilitation activities in a private lending institution. In addition, the CDBG funds can be used to match HCRS Historic Preservation Fund grants.

The Revolving Fund for Historic Conservation in Kansas City, Missouri, represents an excellent example of the potential role of CDBG funds in stimulating historic preservation activities. The City Development Department allocated \$84,000 of its CDBG funds to the private, nonprofit Historic Kansas City Foundation to administer a revolving fund involved with high quality, period restoration of historically and architecturally significant houses in Community Development project areas.

The Foundation will purchase structures, contract for restoration, and then sell the properties, with the proceeds returning to the fund. The program will focus on the restoration of facades in a manner consistent with the original design and character of the neighborhood, providing highly visible examples of historic preservation which may increase local support and stimulate private rehabilitation. Priority will be given to structures which are vacant and on the market, or are threatened with

demolition. It is anticipated that three or more houses will be restored per year, depending on the time it takes for the funds to revolve. CDBG funds will be used exclusively for the purchase and repair of houses, while administrative costs and design services will be provided from other sources. Properties will be selected by an advisory committee composed of representatives from the Landmarks Commission, the Office of Housing and Community Development, the City Development Department, Historic Kansas City Foundation, and the City Council.<sup>12</sup>

### Catalytic Effect of Revolving Funds

Though the effects of revolving funds are significant, they are only one component in the entire revitalization process of an area. Often the funds are not of sufficient size to purchase large properties, or to purchase the properties in quantity. The revolving fund has proven most effective in preserving the historic fabric of an area and simultaneously meeting the housing needs of the residents when it is used with other financial tools, housing subsidies, social services, and community development corporations.

The impact of the revolving fund is primarily psychological and catalytic. Rehabilitation and construction in deteriorating areas often encourage further investment and rehabilitation. As a catalyst, the revolving fund can have an enormous effect on the preservation and long-term protection of the built environment. On a statewide basis, the revolving fund has the potential to play a fundamental role in the development of aggressive historic preservation programs.

### Footnotes

<sup>1</sup>"Recycling Dollars," *Preservation News* 16 (no. 5): 4, May 1976 newsletter of the National Trust for Historic Preservation.

<sup>2</sup>*New Opportunities for Residential Development in Central Cities*, Research Report No. 25, (Washington, D.C.: Urban Land Institute, 1976), pp 28-32.

<sup>3</sup>"Louisville Renovation/Revolving Fund, Preservation Alliance," information leaflet. For further information contact: Neil Horstman, Director, Preservation Alliance, 712 W. Main St., Louisville, KY 40202.

<sup>4</sup>"Revolving Fund Year End Report, January 1977—December 1977, First Year of

Operation." For further information contact: Toni Gold, Managing Director, Hartford Architecture Conservancy, 65 Weathersfield Ave., Hartford, CT 06114 (203/525-0279).

<sup>5</sup>The Historic Faubourg St. Mary Corporation, "Annual Report October 1, 1976—September 30, 1977"; Architectural Heritage Foundation, Inc., *New Orleans, Louisiana: An Action Plan for Historic Preservation in the Core Area Development District*, July 1976. For further information contact: Diane Manget, Executive Director, The Historic Faubourg St. Mary Corporation, 611 Gravier St.-Rm. 903, New Orleans, LA 70130 (504/524-1796).

<sup>6</sup>"Environmental Assessment for Historic Preservation Rehabilitation Loan Fund, Project Number Seven, Fiscal Year 1976." For further information contact: Diane Schorr, Director, Office of Program Development and Management, Lexington-Fayette Urban County Government, Municipal Building, 136 Walnut St., Lexington, KY 40507.

<sup>7</sup>"San Francisco Community Development Block Grant; Preservation Loan Program Agreement"; "National Historic Preservation Act of 1966 California Office of Historic Preservation Local Historic Preservation Loan Program"; "Heritage Loans to Assist Low Income Owners," *Heritage Newsletter* 5 (no. 3): 1, Oct. 1977 newsletter of the Foundation for San Francisco's Architectural Heritage; "Preservation Loan Program," *Heritage Newsletter* 5 (no. 4, Dec. 1977): 2. For further information contact: Rick Masseno, Loan Program Administrator, San Francisco Architectural Heritage Program, 20007 Franklin St., San Francisco, CA 94109 (415/441-3000).

<sup>8</sup>"A Program to Create a Revolving Fund for North Carolina Attachment A—How the Fund Would Actually Work"; "Fund Obtains Option on Bingham Homeplace," *The North Carolina Preservationist* 8 (June 1977), Historic Preservation Society of North Carolina; "Preservation Fund Sells Bingham House," *The North Carolina Preservationist* 9 (Oct. 1977). For further information contact: James A. Gray, Executive Director, The Historic Preservation Fund of North Carolina, Inc., 120 Reynolds Village, Winston-Salem, NC 27106 (919/722-9381).

<sup>9</sup>"Architectural Conservation Trust/ACT for Massachusetts," brochure, pp. 3, 6, 8. For further information contact: Architectural Conservation Trust/ACT for Massachusetts, Old City Hall, 45 School St., Boston, MA 02108 (617/523-8678).

<sup>10</sup>For further information contact: Mr. Wayne Linker, Director, Connecticut Trust for Historic Preservation, 65 Weathersfield Avenue, Hartford, CT 06114 (203/249-2522).

<sup>11</sup>Historic Landmarks Foundation of Indiana, "State-wide Revolving Loan Fund," pamphlet; J. Reid Williamson, Jr., "Revolving Funds—What They Are and How They Operate." For further information contact: J. Reid Williamson, Jr., Executive Director, Historic Landmarks Foundation of Indiana, 3402 Boulevard Pl., Indianapolis, IN 46208 (317/926-2301).

<sup>12</sup>"Project Description, Revolving Fund for Historic Conservation." For further information contact: Jody Ladd Craig, Executive Director, Historic Kansas City Foundation, 20 W. 9th St., Kansas City, MO 64105 (816/471-3391).

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