



LOOKING A GIFT HORSE IN THE MOUTH: Receiving Real-Estate Gifts

Gifts of property can be a boon or a hex. Here's how to be sure they benefit your organization.

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The phone rings, and a prospective donor offers you “valuable” real estate worth far more than your typical contribution. If you’re like most executive directors, your impulse is to accept the gift. As many charities have learned the hard way, however, it’s not wise to accept real-estate gifts on impulse.

But how do you ask important questions without offending the donor? And how do you decline such an offer without losing a friend for your organization?

The best way is to establish policies for accepting real-estate gifts *before* you get that phone call. Such policies provide several safeguards:

- They minimize your risk of environmental liability.
- They reduce the chance of offending donors.
- They decrease the risk of politics or strong personalities dominating your planned-giving efforts.
- They satisfy board members’ desire to protect against lawsuits.

If you have written policies, you’ll also have more confidence to ask a potential donor questions. Then, you can better decide if the gift would be an asset or liability. Here are suggestions to help:

1. Have a Site-Inspection Policy.

Have a firm policy that your organization can’t accept property until you inspect it. This inspection will ensure that no environmental hazards are visible on the property. It will also assure that there are no other barriers to the property’s marketability. For example, you probably wouldn’t want to receive a “crack house” as a gift. When you visit the property, take some photos to share with your board and staff.

2. Ask for Initial Documentation.

After explaining your inspection policy to prospective donors, ask them for the following information to help you locate and evaluate the property:

- a survey of the property
- legal description of the property
- address and (if necessary) detailed description of the location of the property to help your representative find it
- names and percentage ownership of any co-owners
- copy of recent tax statements, including appraisals
- information on any current leases or contracts outstanding on the property
- brief description of the property’s current use.

If prospective donors aren’t willing to provide this information or to let you inspect the property, tell them you appreciate their generosity but can’t accept the gift.

3. Request More Information.

Ask your donor: Is this an outright gift, or are there conditions? Having policies in place makes it easy for you to walk away if the gift has any unacceptable “strings” attached. If your prospect wants to make a planned gift, ask if the property is debt-encumbered. Even if this is an outright gift, your organization should have policies outlining what amounts of debt, if any, are acceptable. You should also define how and when to obtain assistance from real-estate professionals to evaluate the property and its marketability.

4. Have a Planned-Giving Strategy.

If a condition of the gift is that donors want to use the real estate to fund a charitable trust, this raises other questions. Be sure your policies list steps to take if a planned gift is offered. Some nonprofits retain legal counsel specializing in estate planning or a planned-giving consultant, so they can take advantage of an unsolicited planned gift.



CREATIVE FUNDRAISING IDEAS

Use Greeting Card Programs

Offer to mail greeting cards to your donors' entire mailing lists for their holiday cards. Each card will announce a donation to your organization in the name of the recipient. Using this idea, the Food Shelf in Minneapolis sells hundreds of boxes of greeting cards and earns thousands of dollars each year. For details on these and other fundraising ideas, see *Fundraising & Marketing in the One-Person Shop*, available from the Society's *Resource Center Catalog*, beginning on page 25 of this issue.

Try "Marriage Mail"

Spread your fundraising message along with other nonprofits or businesses in your area. Get together with 20 to 30 other organizations, and put together a packet of information about yourselves, along with reply devices to encourage donations. Check if media companies will give you a special rate. Also see if businesses will offer you free or reduced-rate space in their advertising packets or card decks. Such "marriages" can benefit everyone.

Harness Volunteer Energy

Creative fundraising can be as simple as a pop tab, as Ronald McDonald House discovered. One of its volunteers suggested collecting pop-can pull tabs and selling them for scrap. Ronald McDonald House raised \$1,000 the first year, \$10,000 the second year, and now raises \$80,000 a year using this idea. One key was a marketing campaign that publicized the volunteer opportunity to school children and others. Can you think of a similar way to tap into people's desire to volunteer for a worthy cause?

5. Decide Whether to Pursue the Gift.

The answers to the above questions, copies of relevant documents, and a drive-by property inspection should give you enough information to decide if you wish to pursue the gift further. Consider the benefits and costs of accepting the gift, including any potential liability. At a minimum, you'll incur some expenses in obtaining the property and ongoing expenses until the property is sold.

6. Outline Steps to Close the Gift.

You also need policies for closing the gift. Here are issues to consider:

- Will your staff use an inspection checklist to be sure you get adequate information on the property when it is inspected? If so, what will this checklist include?
- Will you have a checklist to determine if there are environmental hazards not visually apparent in your inspection? Because liability for environmental contamination may be imposed on any person or organization in the chain of ownership, you must show you made reasonable efforts to ensure the property was free of contamination. Plan to commission a Phase One and Phase Two study of the property should any problems be identified. Don't accept a property until any required clean-up is done and written confirmation of that fact received from appropriate state and federal regulatory agencies.
- Will debt-encumbered property be accepted? If so, under what conditions, and who will make the decision?
- For improved properties or properties with buildings, will you hire experts to inspect mechanical systems and structure?
- Will it be your policy to sell any real-estate gift as soon as possible? If so, let donors know you will immediately market the property.
- Obtain an independent appraisal and preliminary title report, preferably at the donor's expense, to confirm property value and ownership. (Also, advise the donor to comply with IRS Form 8283 reporting requirements for real-estate gifts valued over \$5,000.)
- What individual(s) or group(s) will approve acceptance of real-estate gifts?
- Have all these issues been discussed among all parties?

A Gift or a Headache?

Receiving donated real estate can be a gift or a headache for your organization. By having policies in place, you can feel comfortable that you're protecting your organization and your donor when you accept a gift of real estate. You'll also have concrete reasons to reject some gifts, keeping you from decisions based on emotions or your current financial situation. Thus, you can be sure the gifts you accept truly benefit your organization and build good relationships with donors. ■

Selected References

- Henley, Michael & Jane Hodiak, *Fundraising and Marketing in the One-Person Shop*.
 Muehrcke, Jill, ed., *Fundraising and Resource Development, Leadership Series*.
 Schmeling, David G., *Planned Giving for the One-Person Development Office*.

To order these publications, see the Society's *Resource Center Catalog*, starting on page 25 of this issue, or contact the Society at 800-424-7367.

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