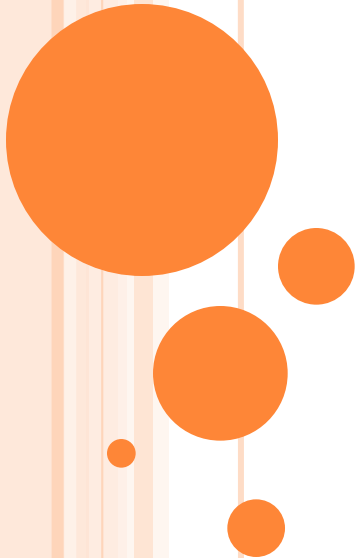




# **So Your Organization Thinks It Can't Take Real Estate Donations!**

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# What Will Be Covered

- Charitable world overview
- Gift arrangements with real estate equities
- Alternatives to risk
- Case studies



# Statistics On Gifts of Real Estate

- Although 43% of US assets are in the form of real estate, only 3% of charitable gifts come via real estate (\$6 Billion)
- Average gift of real estate is valued at \$419,000
- 80% of proffered gifts of real estate are rejected by charitable institutions
- 1,300,000 charities



# Gift Arrangements Using Real Estate

- Straight / Outright donation
- Retained life estate
- Bargain sale
- Charitable gift annuity (CGA) or Charitable remainder trust (CRUT) funded with real estate
- Split equity opportunities



# Reasons Charities Won't Fund CGAs with Real Estate

- Ownership risks with various types of liability
- Proceeds from sale do not fully fund CGA
- Geographically challenged
- Burns staff time



# Alternatives to Risks of Ownership

- Simultaneous close
- SMLLC
- Facilitating charity of JV



# Simultaneous Closing: How Does It Work?

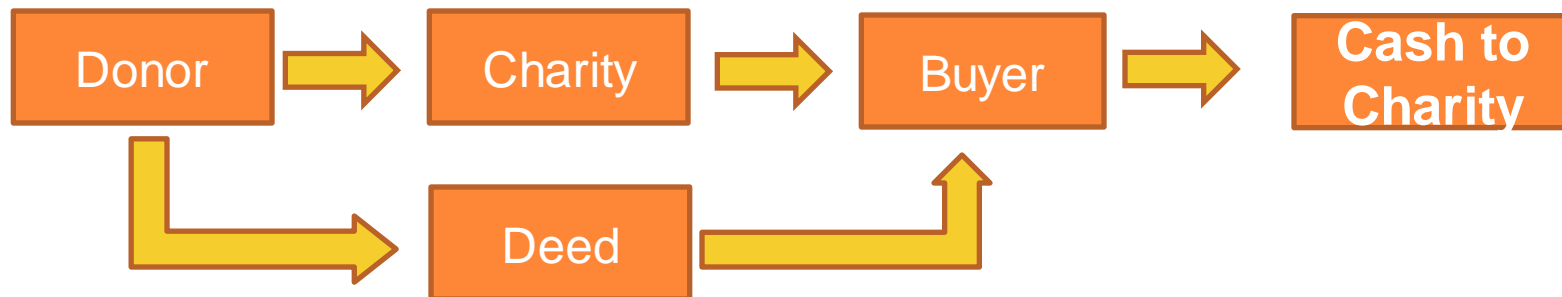
## ○ Traditional



### • Risk to Charity Under Traditional

1. Environmental liability
2. Insurance coverage for injuries on property
3. Holding costs
4. Sales price and reporting requirement to the IRS
5. Finding good real estate representation
6. Flaw in title and joined in litigation

## ○ SOLUTION: Simultaneous Closing





# Case Sites for Simultaneous Closings

- Winston F.C. Guest et ux. V. Commissioner, 77 T.C. 9 (1981)
- Stark v. Commissioner, 86 T.C. 243 (1986)



# Alternatives to Risk of Ownership

- Single member limited liability corporation
- July 29, 2012 - IRS letter
- Use of facilitating charity



# Case Study #1: Gift of Real Estate in Exchange for CGA

- Donor owned 50% undivided interest along with four other family members
- Health issue for donor forcing him to move
- Additional income was the goal
- Donor not mentally capable of the sales process
- Unit needed repairs, condo fees, taxes and insurance paid



# Case Study #2: Corporate Surplus Property - Barge Factory

- Fortune 500 company-Trinity Industries
- Facility closed for ten years
- Annual holding costs \$120,000
- Offered to numerous charities for four years
- EPA issues
- Solution
- Alternatives (Wood's case) Kodak



# Case Study #3:

## Apartment complex bargain sale

- Donors leaving the country need some cash
- Apartment complex 30% vacant with deferred maintenance issues
- First mortgage
- Negative cash flow with Donors managing
- Appraised value
- Sales price
- Solution



# What We Covered

- Where the charitable world stands on real estate donation risk
- Variety of real estate gifting arrangements
- Solutions to risk of ownership issues
- Case studies



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**Your Questions!**