Butte Historic Trust

2020

REVOLVING FUND FEASIBILITY STUDY

FOR BUTTE, MONTANA

This study was prepared by Butte Citizens for Preservation and Revitalization, parent organization of the proposed Butte Historic Trust, with financial support from the 1772 Foundation.

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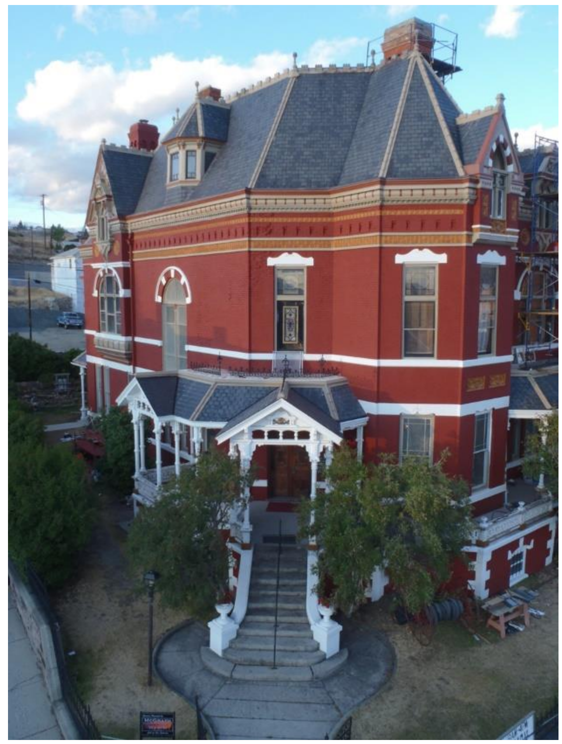
EXECUTIVE SUMMARY

Revolving Funds are a preservation tool used to save historic buildings by buying, rehabilitating, and selling the buildings to owners who will take care of them. A mature revolving fund can generate the kind of intensive, concentrated rehabilitation activity that has been a proven engine for community revitalization in towns across the United States. In fact, a revolving fund could thrive in Butte, which is on the rise and has thousands of historic houses, as well as a commercial business district of architectural distinction that is peerless in Montana. Such a fund, incorporated as a Single Member-LLC subsidiary of Butte CPR, would constitute a new paradigm for interfacing with Uptown's historic buildings, enhancing Butte CPR's agency to intervene to save them from disuse, neglect, and ultimately demolition.



A board composed of individuals representing relevant trades and professions should be assembled to oversee the fund. The fund will have challenges to overcome that are specific to Butte's circumstances, such as a constricting housing market and a dearth of local trades workers experienced in historically appropriate techniques. Despite this, careful planning, optimization, and organization can create a niche for a revolving fund to operate comfortably in Butte.

Initially, grants and vigorous fundraising will be necessary to raise the capitalization costs. After this the fund should proceed slowly in the residential market until operations have matured enough to effectively plan and execute projects within the commercial core. Funding for commercial projects could be achieved sooner by organizing a Rural Investment Cooperative or other type of investment fund. Operations can be further facilitated by strategic partnerships in both the public and private realms, which may open the fund to new opportunities to preserve Butte's architecture and revitalize Uptown neighborhoods. That is the purpose and specialization of a revolving fund, after all: architectural preservation and economic revitalization.

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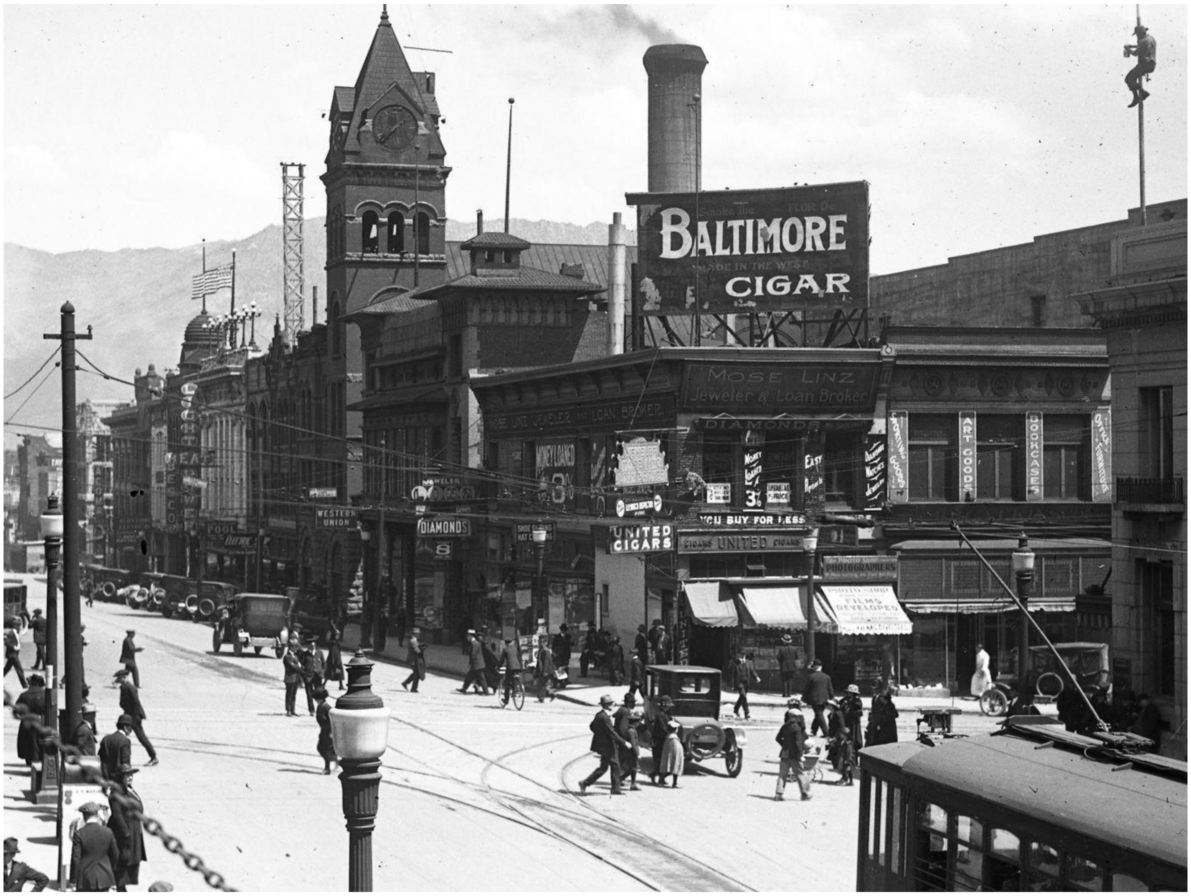
DEFINITIONS

The field of historic preservation is fraught with jargon that is often used interchangeably, with seemingly vague differences between terms. Detailed, unambiguous definitions of terms that describe the four approaches to the treatment of historic buildings can be found in *The Secretary of the Interior's Standards for Rehabilitation*, along with guidelines for their use. For convenience, the terms are summarized here.

> **Preservation**: The least deleterious of the interventions, to preserve a building is merely to keep it as it is -- neither to improve its condition, nor to allow it to deteriorate further.
>
> **Rehabilitation**: This intervention entails stabilizing an unused or underutilized building by arresting any ongoing sources of damage, then bringing it back up to a usable condition. This may require finding a compatible use for the building.
>
> **Restoration:** Regarding a historic building, one restores it to a certain time period, or combination of periods, from its past by augmenting or editing finishes and architectural features. Often this is accomplished by "peeling away" more recent layers of history to expose what existed during the desired period, then repairing it if necessary.
>
> **Reconstruction**: The use of appropriate materials and methods to replace missing architectural features using historic reference photographs, drawings, or descriptions.

These terms are accepted and expected in all circles of preservation, and will be used for the remainder of this report when referring to intervention treatments. Terms such as "renovation" and "flipping" are nonspecific and undefined by federal preservation authorities. They can have a negative connotation, regardless of intention. Both have been used, and often still are, to describe the wholesale destruction of historic architectural features in the misguided aim of appealing to buyers conditioned to resent them as stultifying to individual expression. These terms are antithetical to the current theory and practice of historic preservation, and have only limited application in winning over the heart of the ambivalent public. They will be avoided in this study, and it is recommended that they do not appear in a preservation revolving fund's official documents or correspondence.



CHAPTER ONE

BUTTE PROFILE

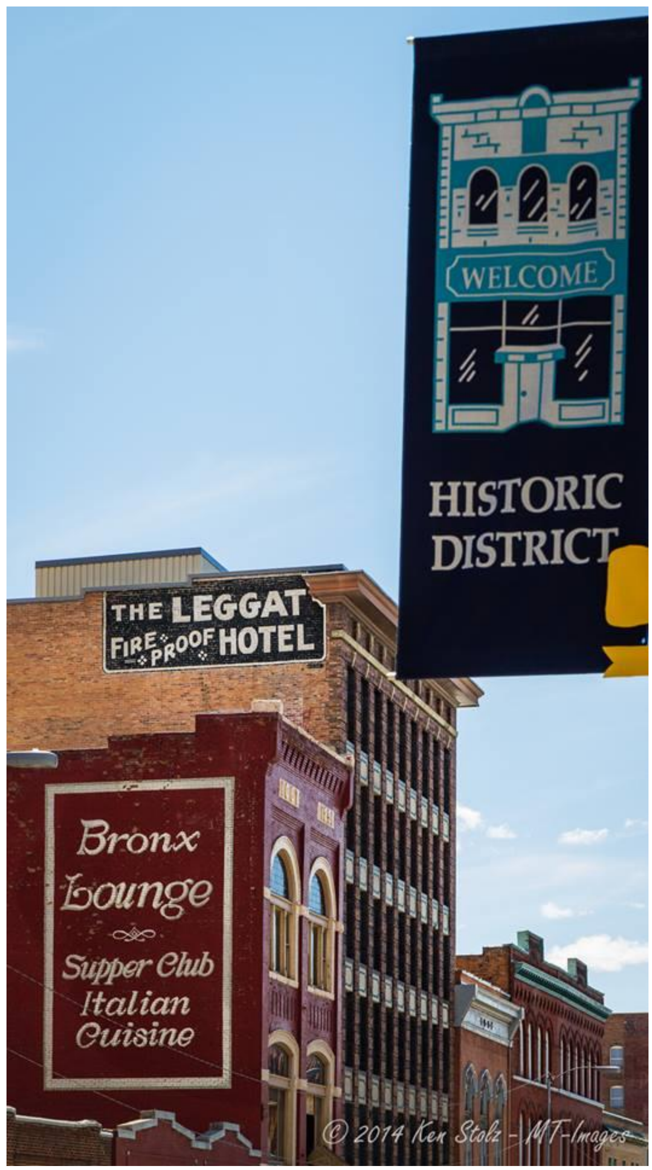
A Brief History

Seated on the Continental Divide and the Boulder Batholith, the city of Butte, Montana, is rich in both scenery and metals. Word spread quickly of the gold found in the Summit Valley below the Butte Hill in the 1860s, and by the end of the nineteenth century Butte had become the nation's top producer of copper, which was desperately needed by the nascent movement to electrify the country. Hard rock mining economics and culture were dominant characteristics of the city, which earned the appellation "The Richest Hill on Earth" by dint of sheer volume of metals extracted from the ground beneath the city.

At one time, Butte was the largest city between Minneapolis, Minnesota, and Spokane, Washington. It was a unique mining metropolis of nearly 100,000 people in a rural state known for its wide, open spaces. The population required amenities that were seldom seen in cities throughout the Northwest: a large business district, housing to accommodate the wealthy, and ethnic neighborhoods that catered to their occupants in terms of churches, shops, grocery stores, and recreation.

Over time, the population dwindled to less than half of its former size, and in the 1980s it and the economy took a further significant dive due to the temporary cessation of mining. Butte fell on difficult times. During these times of uncertainty, many larger buildings were razed or succumbed to fire and the once vibrant neighborhoods lost their appeal and many of their residents.

Butte Today



Today, Butte is a town of about 30,000, with a technical university and a few seasonal festivals that draw visitors from all over Montana and performers from all over the world. Mining returned to the community in 1986, and supports a major part of the labor force, though not the thousands of workers it did in the past. Despite heavy losses during the modern era, many of Butte’s iconic architectural treasures remain and the historic fabric of the commercial core is striking. There are relatively few empty lots or entirely vacant buildings in that district. The city also retains a world class collection of houses erected in the historic styles of its boom years, especially Victorian, Craftsman, Italianate, and vernacular. Butte was designated a National Historic Landmark District in 1961. Anaconda was later added to the district, the country’s largest by volume of assets with nearly 6,000 contributing buildings and structures.

According to the State of Montana, the median household income in Silver Bow County is about $42,000. Twenty-six percent of county residents have a bachelor’s degree or higher, which is slightly greater than the state average. Housing in Silver Bow County is significantly less expensive than in Helena ($230,000) and Bozeman ($330,000), though the cost to own a house in Butte is rising. The median cost of a house is $143,000, up 5% from last year and 36% from nine years ago.

Nearly 70% of houses in Uptown Butte were built before 1939, and many far earlier. The Uptown area was recently designated an Opportunity Zone, so increased investment in Butte's architecture is expected in the coming years.

Although the city is known for the environmental fallout of its mining boom and has been declared a Superfund site, that chapter is coming to a close as the city-county's chief executive signed the Consent Decree, signaling commencement of the last phase of cleanup. Long-running programs to abate heavy metals, build parks and playgrounds and trails, and remediate local natural areas have produced safer, more enjoyable neighborhoods and environs.

Butte has turned a corner and is no longer the damaged, impoverished city it was in previous decades. The environmental and economic wounds are healing, and Butte is beginning to prosper. As Butte's prospects improve, so does life for the people who live there. Schools in Uptown are good, and the neighborhoods are safe. Just in the last few years, the city built a new water park (one of the largest in western Montana) and city playground, and an indoor carousel. Just outside of town is a restored nature park with a disc golf course and more than twenty-five miles of non-motorized trails, and a ski mountain forty-five minutes away with sixty-seven trails across 2,200 acres. Butte is a fun city with inexpensive historic housing that is quickly appreciating, but more than that, it is a great place to raise a family.

Emerging Preservation Efforts

Beginning in the 1960s and continuing for almost two decades, urban renewal in Butte consisted of razing as many older buildings as possible and being satisfied with vacant lots or new buildings that could never take the place of their predecessors in either quality of material or workmanship. It was also a time when banks and insurance companies looked upon older, historic homes as risks they were unwilling to assume.

Adding to Butte's troubles, ARCO abandoned its Butte mines in the early 1980s, just a few years after purchasing them from the Anaconda Mining Company. In the decade that followed, many buildings in the commercial core were lost to demolition or fire, and others fell into disrepair as they sat vacant or neglected. These were times of desperation and uncertainty, but the city survived, as did the remainder of its central business district and houses ranging from small workers cottages and bungalows to stately mansions.

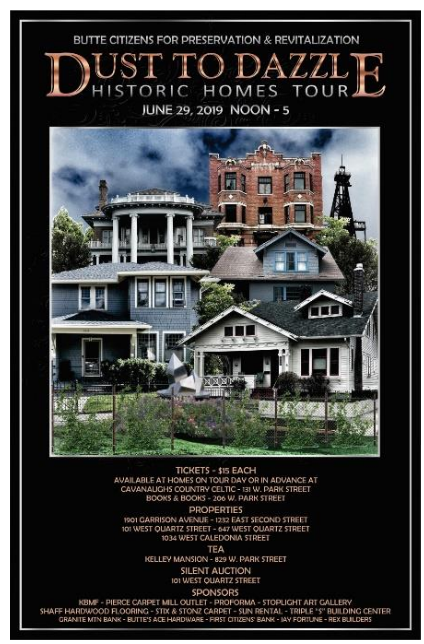
The city’s population had been reduced over the decades to a third of its former size, and many of its beautiful buildings were left vacant. Luckily for Butte, when a group of people was pushing to relocate Butte’s central business district and thereby virtually ensure the neglect and eventual demolition of the historic brick buildings there, several people understood the significance of Butte’s historic resources and rallied to protect their heritage by preserving their historic structures. The development of a Regional Historic Preservation Plan followed.

In subsequent years, the consolidated city-county government adopted a historic preservation ordinance, established a Historic Preservation Commission, and hired a historic preservation officer. Tussles between demolition and preservation of specific buildings do still occur, but an appreciation for preservation has gained traction in the community.

Butte Citizens for Preservation and Revitalization

Butte Citizens for Preservation and Revitalization, established in 1994, grew out of these early, grassroots preservation efforts. Butte CPR has helped save several significant buildings from neglect, and has funded numerous grants to individuals to stabilize, rehabilitate, and restore historic properties.

Butte CPR members saw the potential of not only the major buildings in the central business district and the majestic mansions on the lower Westside, but also of the small miners’ cottages spread throughout declining neighborhoods. It started small, in terms of influence and ability, but the organization has grown over the decades. To date, its largest financial effort has been the Historic Improvement Project grant program. The first year of the program consisted of an award to a single homeowner for $500. In 2019, the HIP program provided funding for eleven projects for amounts up to $1,500 each. The program also granted $7,500 for the renovation of a large commercial/residential building and $5,000 to repair a church roof.



Butte CPR volunteers offer workshops for the public to learn how to maintain brick facades and to reconstruct wood windows that have decayed over time. The organization’s advocacy for commercial buildings has involved, among other efforts, a project to save a commercial and residential property on the only intersection that retains historic buildings on all four corners and a project to save two other residential buildings from demolition. One property was completely renovated and the other two are in the midst of major transformation.

Butte CPR conducts many projects throughout the year, but its annual Dust to Dazzle Tour is its major fundraiser. This homes tour allows the public access to buildings that run the gamut from a dust-ridden renovation project to beautiful homes and mansions whose owners embrace and retain their historic elements. The tour has changed the perceptions of many people as to what can be done and has actually spurred people to rehabilitate several properties in Butte. Changes in leadership and focus in 2017 (to present) has almost tripled the event's net proceeds over the preceding three years.

Butte CPR has rolled up its collective sleeves numerous times and cleaned out debris from older buildings and mothballed them for later development. When unable to save a building, Butte CPR advocates salvage of items for reuse and conducts salvage sales during the summer. The income from this program has also grown since 2016, with sales 45% greater than in previous years. Most recently, Butte CPR was involved in advocating against a local Dangerous Building Ordinance which it saw as a fast track to demolition. A number of changes recommended by Butte CPR were made, but the organization remains vigilant to ensure that the County's historic preservation ordinance is appropriately observed.

Expanding Butte CPR's Scope of Impact

For the past 25 years, Butte CPR has been a key player on the local preservation stage. It has been the boots-on-the-ground force for preservation and has grown over time in both scope and scale, building gradually on past successes to be what it is today. Framed in that way, instituting a revolving fund is a logical next step that, in time, may itself constitute a powerful entity in Butte's historic architecture market.

A revolving fund is one more tool that can be leveraged to save Butte's historic architectural fabric. In establishing a revolving fund, Butte CPR will take on greater agency to intervene to save endangered historic buildings, to rehabilitate blighted neighborhoods, and to restore Butte's iconic architectural gems. Butte CPR's efficacy in executing this vision depends on many factors, not least of which is how the fund is administered, and how effectively the fund can forge meaningful, productive partnerships. These partnerships may run the gamut, from donations and fundraising, to specialized consultation and professional services, to volunteerism at all levels of the organization. Such relationships may create additional opportunities for preservation intervention by Butte CPR using any one of its familiar strategies, whether in synthesis with a revolving fund platform or outside of it.

CHAPTER TWO

REVOLVING FUND PROGRAMS

Types of Revolving Funds

There are generally two types of historic revolving funds, acquisition and loan. In acquisition-based revolving funds, historic properties are optioned or purchased on the open market, stabilized, rehabilitated or restored, then sold to preservation-minded buyers. Preservation easements (implemented as deed restrictions) or other legal “levers” are typically used to ensure the long-term preservation of the property. Such devices may stipulate the approval of a board or committee before an owner may modify any characteristic historic elements, or may require the purchaser to use the property as their primary residence for a specified period of time. Ideally, the resale of a property generates a profit and the proceeds are used to acquire and restore additional properties.

The second type of fund, the loan-based revolving fund, involves lending money to preservation-minded property owners for use in rehabilitating or restoring all or a portion of their own historic buildings. In this case, it is the money that is revolving, not historic property. The loan comes with terms that are easy on the borrower, allowing the fund to recoup its invested capital without disadvantaging borrowers or discouraging potential applicants. Some funds forgive loans on a case-by-case basis, such as if its borrower encounters hardship or simply makes enough on-time payments. Such loan forgiveness practices depend on the health of the fund, of course.

The Acquisition Fund

The strength of an acquisition fund lies largely in two points. First, an agile fund can save an at-risk historic building that is in imminent peril by "swooping in" and buying it. Second, once the property is again in a saleable condition, the fund is in a unique position to permanently protect the building through easements that may be difficult or impossible to implement any other way

For an acquisition-type fund to work, it must have a steady flow of properties to revolve. In Butte, a fund will likely become aware of opportunities to save historic property through real estate partners, donors and supporters, or through arrangement with the l government. Other possible avenues include personal connections, word-of-mouth, articles or blogs, or even driving the streets in search of prospects.

Regardless of how the fund discovers the property, it should be wary of titling complications, such as out-of-state or multiple owners. In most cases situations like this will come up in the course of the preliminary feasibility study and *pro forma,* which should be conducted to ensure the fund will not overextend itself on the property. How rigorous such investigation should be will depend on the board's perception of the building's risk to the fund. Much can be discovered about the property during a presale walkthrough of the building by a specialist member of the fund's staff or board--someone with a background in historic construction or architecture, or, if such a member cannot be recruited, a real estate agent with deep experience in buying and selling historic buildings. This individual will learn much more about the building's state while inspecting it than a layperson would.

For an acquisition fund in Butte, just starting out and with limited resources, it will be important to make decisions about which type of properties to prioritize for purchase and restoration. These decisions include residential property versus commercial, single-family versus multifamily, and complex projects versus simple projects. Early successes will be critical to long term survival of the fund. Also, in order to start the growth of the fund's economic engine, smaller, lower-risk properties with quick turnarounds will be key. As the engine gathers momentum, gradually larger or higher-risk properties can be engaged without threatening the sustainability of the organization. After the staff and board learn the ropes of rehabbing smaller, simpler residential properties, it may be feasible to take on commercial projects, or some of the large Victorian mansions Butte has so many of. Two beneficial side effects of this approach are that the fund will have more time to find tradespeople who can be trusted to work on historic buildings, and the fund will develop a more solid reputation. A respected reputation may in turn lead to referrals to more properties, tradespeople, and buyers, which adds up to more, better options in how projects are executed.

The Loan Fund

A loan fund is an altogether different operation that shares only some similarities to an acquisition fund in mission and organization. Its aim is still the preservation of historic properties, but its means to that end are different. And, while the composition of its board may bear some resemblance to that of an acquisition fund, it will likely be leaner and more focused to match its narrower scope.

One goal shared by both types of funds is to keep historic buildings occupied by owners who are committed to protecting them. A loan fund does not take on ownership of a property the way an acquisition fund does, but rather provides funding to owners seeking to improve their historic property. The idea, besides to foster a DIY preservation mindset, is to enable owners to save their own property *before* it becomes distressed. Some important forms of maintenance, such as repainting and reroofing, can be very expensive, and thus financially out of reach for many people. Unfortunately, these problems eventually cause other problems, creating a cascade of expenses that can overwhelm an owner. A fund that can intervene by loaning money for these types of maintenance could not only prevent the loss of significant historic architectural material, but could also save the owner heaps of money *and* keep them in their home. An historic building that is well maintained is in a much less vulnerable position than one that is distressed and back on the market or at auction.

A loan fund also has organizational differences that set it apart from an acquisition fund. For example, the board may include real estate professionals, designers, and surveyors, as an acquisition fund board might, but they would likely not fill the same role. On a loan fund board, a banking professional would be a good choice to lead, as members with a deep understanding of finance could drum up many opportunities by matching strained owners with financial solutions through experience, connections, and creative banking. Individuals with expertise in construction finance and preservation design would be invaluable, and worth consideration to be brought on as staff, even if just part time. Of less importance to the board are real estate and property appraisal skills, since the goal of the loan fund is not to sell property, though considerations of building value may factor into loan term calculations.

The emphasis of a loan fund is less on developing a network of contacts within the technical preservation trades, but it would still be helpful to be able to refer building owner-clients to such tradespeople for the sake of ensuring the work does not result in the needless loss of historic material. A loan fund could partner with trusted tradespeople, or even bring them on staff if the fund can provide enough work for them. At that point, the fund would be providing paid services rather than, or in addition to, building improvement loans.

The Hybrid Fund

A fund of one type may develop capacity to operate as a hybrid, offering loan services in addition to revolving properties, or vice versa. The markets are different, since one service saves properties by transferring them to preservation-minded buyers, while the other service supports preservation-minded owners who are motivated to rehabilitate or preserve the historic characteristics of their property. Thus, having capabilities in both areas may take time and effort for a fund to develop, but it would also increase the number of historic properties benefitted or even saved. A well-established acquisition-based fund may do well to consider broadening its services by offering loans for preservation-minded owners of historic properties to improve and preserve their buildings.

CHAPTER THREE

NEEDS ASSESSMENT FOR A REVOLVING FUND IN BUTTE

Current Conditions

A revolving fund in Butte would have no shortage of work. The Butte-Anaconda National Historic Landmark District is the largest in the country in terms of contributing historic elements, and many of them are in need of some degree of intervention. When the Anaconda Company halted copper production in Butte in 1980, Butte's economy was hit hard. Poverty levels have eased some since then, but are still higher in Butte than in the neighboring cities of Helena, Bozeman, and Missoula. In such economic environments, it is not uncommon for building maintenance to be deferred for too long or indefinitely. Many historic buildings in Butte are badly in need of repointing, repainting, or reroofing. These issues, when not addressed, lead to cascading maintenance problems that become increasingly expensive to repair as they compromise other architectural systems.

As in many places, it is an uphill battle in Butte combating the belief that building owners who perform basic upkeep make the property tax burden unbearable for themselves and others. Some homeowners in Butte express the fear that painting their house, or performing other exterior maintenance or beautification, could drive them out of their neighborhood due to increased property taxes. On the one hand, a preservation revolving fund could have a heyday in such an environment, circumventing the issue of obstinate or negligent owners by replacing them or their neighbors with preservation-minded buyers. This would drive the economic uplift of depressed neighborhoods, possibly initiating a turnover cycle of historic houses as owners cash in on appreciated home values.

On the other hand, gentrification is a serious issue that not only hurts individuals and families, but also tears at the social fabric of neighborhoods and cities, diluting the very sense of community the revolving fund should seek to engender. Some of those who may be pushed out of Butte are themselves valuable repositories of local history that a preservation revolving fund should also be mindful to protect. Fortunately, the chances of the fund cultivating such circumstances are small. A not-insignificant portion of the buildings the fund will restore will be vacant, coming from tax sales, auctions, or redevelopment packages offered by local government.

There is cause to be optimistic about Butte's economic prospects. Butte's neighboring cities have experienced accelerating prosperity in recent years, along with all the challenges growth brings, including housing crises. Local real estate agents attest that small towns surrounding Butte have become bedroom communities for Bozeman, Missoula, and Helena, and that those boundaries push ever nearer to Butte. As the barriers to entry in those real estate markets increase, and snarled traffic lengthens commute times in those locales, the preponderance of office space in Butte's commercial core and its relatively open housing market will weigh in its favor when business owners consider where to establish or relocate. The history, affordability, and beauty of Butte's houses are also potent lures for prospective home buyers, many of whom consult local preservation officials when shopping in Butte's historic housing market. The asking price of homes entering the market has increased significantly in the last two years, and it bears repeating that many of these houses are contributing structures in the NHLD.

The Essence of a Revolving Fund

Preservation revolving funds are powerful tools, allowing preservationists to intervene to save properties that might otherwise be lost. By leveraging capital, a fund can buy precious time for a historic building, potentially delivering it from demolition and extending its life years or even decades. The revolving fund accomplishes this by ensuring that a preservation-minded owner controls the property, even if that owner is the fund itself.

If the fund controls a building, it will seek to add value to the property, usually through historically sensitive rehabilitation or restoration, and then sell it to preservation-minded buyers. Permanent, legally-binding easements specifying how the building can be used, modified, and maintained are attached to the deed in this model.

The fund must somehow produce income, or it cannot last. The fund will inevitably have expenses, such as staff wages, office space, and the costs to carry out fund business. Some operating expenses can be defrayed by grants from state and federal bodies, but most must be covered by profits from sales of restored properties. Thus, generating a profit in the execution of revolving fund business is not a mere preference, but a requisite.

Establishing a Preservation Revolving Fund

Establishing a revolving fund requires, among other things, the dedication of experts in relevant fields. Real estate, banking and finance, historic preservation, construction management, and law are all useful backgrounds for board members or staff of a revolving fund. Recouping investments to put into other projects, while producing a profit to cover overhead, is crucial to the longevity of a revolving fund. Recruiting personnel who can help accomplish this should be at the top of a nascent revolving fund's list of important tasks.

As important as expertise in the realization and operation of a revolving fund is, of course, money. There is no upper limit for this resource (the Macon Foundation, for example, manages more than $6 million in funds and assets), but the fund can easily flounder without enough money. In the case of one revolving fund, in Knoxville, the initial capital investment was $5,000, expanded in the following year by about $2,000. However, successive annual reports show that zero dollars have been discharged by the fund to revolve properties. One may infer, then, that no impactful projects could be organized for such a small sum.

Another requirement for establishing a revolving fund is legal services. Ideally such services would be performed *pro bono*, at least until the fund gets off the ground. Bringing a professional into the fold as a committee member would be ideal. A lawyer present at committee meetings could identify legal tangles on the spot, as opposed to after they have blown up, saving money and also potentially the fund itself.

Legal needs range from the composition of legal forms and documents to the incorporation of the fund into a Limited Liability Corporation (LLC), and the resolution of such issues as liens and titling difficulties. In all fund business, liability should be managed carefully, lest the endeavor founder on a raft of lawsuits. To prevent such an outcome, it is recommended that the revolving fund be established as a wholly-owned subsidiary of a preservation non-profit (in this case, Butte CPR) as a Single Member LLC (SMLLC) and carry liability insurance to insulate not only itself, but also Butte CPR, from legal liability. Later on, it may be advisable for each individual restoration project to be compartmentalized for the protection of the revolving fund by forming a separate LLC each time a project is initiated, and then dissolving the LLC at the project's conclusion.

Challenges to Surmount

The establishment of a revolving fund is sure to encounter challenges that are specific to its location and to the type of fund. Challenges an acquisition fund in Butte is likely to encounter include a shortage of contractors with the desired skill sets, and the presence of heavy metals and asbestos in many buildings. A challenge for a loan fund might be attracting committee members with the right mix of relevant expertise in law, finance, and banking. A further complication is the amount of capital at the loan fund's disposal, which must be considerably more than is necessary to operate an acquisition fund since funds will be tied up for much longer with each property.

Trades workers with experience and a grounding in traditional construction techniques are an essential member in the acquisition revolving fund ecosystem, but are in short supply in Butte. The effect of this scarcity on a revolving fund may be extended project timelines (according to one source, a wait of up to two years might be expected for some skilled contractors), and increased carrying costs as a result. To complicate the matter, it has been said that some trades workers may be reluctant to partner with an organization such as a revolving fund, presumably cherishing their prerogative to pick and choose their projects while keeping a low profile. A preservation technology program existed in recent years in Butte, at Highlands College, but reportedly it was deeply flawed from inception, failed shortly after launch, and is now defunct.

Southwest Montana's housing boom, principally affecting Bozeman, Helena, and Missoula, is beginning to be felt in Butte as well. This should not come as a surprise, since Butte is the nearest city to each of those others. Moreover, the historic aesthetic of Butte's houses is still largely intact and attractive to buyers -- and these buildings cost half as much as they would elsewhere. For better or worse, developers from other cities have begun buying Butte's buildings, sometimes overpaying for them and inflating the asking prices of other buildings.

As competition for housing stock in Butte heats up, the fund's capacity to work within the residential property market becomes more complicated. Five years ago, the housing market was saturated with available stock, but now many houses go under contract the same week, or even the same day, that they are listed. Getting first crack at properties, possibly before they enter the open market, will be a key strategy for the fund, as will thoroughly and efficiently evaluating these properties to hedge risk to the fund. A partnership with a real estate agency, or the county, which auctions tax properties cheaply, to get first refusal privileges for properties could be highly beneficial. Also, assuming the fund markets its successes well, some sellers may prefer to offer their property to the fund before they put it on the market. Most likely, the fund will be able to afford only the most distressed properties in its first few years, but these should be the fund's focus anyway. Well maintained properties will sell too quickly for fund staff to perform a proper evaluation, and competitive bids will probably be beyond the fund's budget. Some historic properties, however, are so distressed as to not even be considered by typical homebuyers, or any but the most resourceful developers. Since a primary goal of the revolving fund is to rescue endangered buildings, these highly distressed properties are the natural niche where the fund can have an impact.

The hard rock mining history that made Butte the treasure of history and architecture it is today has also left the city with widespread environmental threats to public health. Heavy metals such as mercury, lead, and arsenic are commonplace in residential attics. While heavy metals abatement is not required in order to buy or sell property, and would not necessarily hinder a revolving fund, it is available for residential properties at no cost through the county government. The Residential Metals Abatement Program (RMAP) is paid for by Atlantic Richfield as part of a Superfund agreement. Abating heavy metals is the ethical thing to do, but the waitlist can be three to six months long, and the program shuts down temporarily in winter. While other rehabilitation and restoration work can be done at the same time as this remediation, it could conceivably push the timeline for selling a property, adding to carrying costs and potentially causing the fund to miss out on a timely sale. In such a case, the recommendation may be to inform new owners about the program. Incidentally, asbestos, a mineral known to cause mesothelioma after exposure, is widespread in Butte in floor and ceiling tiles, as well as heating vent insulation. Asbestos abatement is very costly, but in most cases unnecessary as long as the asbestos is left undisturbed.

Anticipated Impacts of a Revolving Fund on Butte

Historic rehabilitation and restoration have a broad influence, lifting the economic status of entire neighborhoods and sending ripples even farther out. When a building is rehabilitated or restored, contractors get work and experience practicing their trade to historic standards, construction materials are bought, and perceptions of the building, neighborhood, and city improve. If the building was empty before, assuming an acquisition type fund, it will have a new owner sensitive to the needs of a historic building. The new owner will pay the property taxes and help revitalize the area by mere dint of their presence and participation in the day-to-day life of their locale.

Some revolving funds have adopted a targeted approach, rehabilitating the “worst” house in a blighted neighborhood. This can have the effect of lifting up the whole block and bootstrapping the neighborhood. This is because the property will assess at a higher tax value, augmenting the value of houses nearby, and some neighbors who may have already been inclined to move may choose to do so to take advantage of higher home prices. Other neighbors may be inspired by the rehabilitation and improve their own property. In turn, this could create additional opportunities for developers, or the fund itself, to invest in the neighborhood. If this results in a vibrant neighborhood of well-kept historic buildings, it would be a resounding success not just for the revolving fund, but also for the city, which will enjoy increased tax revenue, more vibrant neighborhoods, and more productive residents spending money in the shops and restaurants of Uptown Butte.

Recommendations

For several reasons, it will be easier to get an acquisition-based revolving fund off the ground in Butte. For one, a loan-based revolving fund requires more capital initially, since the timeline for realizing a return on investment in each property is longer. A loan fund also requires legal and financing expertise that may be more expensive or difficult to retain than the sorts of services required to operate an acquisition-based fund. An acquisition fund need not necessarily even purchase all of the buildings it revolves. Some may come as donations to the fund, in which case the fund is responsible only for costs tied to acquiring the property, in addition to the costs to rehabilitate the property, for which it should already be well prepared. Eventually, wholesaling properties may not only prove to be a source of quick cash, but could also become a viable higher-volume preservation strategy if easements are implemented. Should the fund fail, real property would be easier to liquidate than debt, at least without adversely affecting borrowers or running afoul of tax or securities laws.

CHAPTER FOUR

SETTING PARAMETERS

Creating Impact

A revolving fund can be more than just a tool to save individual buildings. It can have a wider impact, helping to lift a depressed neighborhood, serving as the impetus for historically appropriate techniques to be taught in local trades apprenticeships, and sparking community revitalization.

In order to achieve these lofty aspirations, clarity of vision and careful strategic thinking, for both the short and long term, must direct the effort. A mission statement can be the philosophical backbone of an organization, and a strategic plan can be the path to execute that mission. The two should be coordinated to minimize confusion and ineffectual effort. That said, much can, and will, turn out in unforeseen ways that will challenge both documents. Strategic plans can be adapted to better position the fund for the future, but the mission statement should not be casually amended.

In addition, careful selection of properties to acquire and revolve will be fundamental in achieving more than merely saving specific buildings from dereliction or demolition. An investment in a building can become an investment in a neighborhood, which, in a strong market, can trigger a cascade of investments from businesses and owners.

Mission and Vision Statements

Mission and vision statements should encapsulate the intentions and aspirations of the organization. Buying and selling houses is only a means to an end, so what is that end? Perhaps in drafting the mission statement some higher ideals will emerge. Meanwhile, some soul searching considering what all the effort of establishing and operating a revolving fund is meant to accomplish in the next five to fifteen years will be time well spent.

The goal could be to realign Butte with the arc of its own history, to revitalize through reinvestment, to cultivate economic prosperity and social equity through preservation action, or to vouchsafe the future of Butte's past. Whatever hope for Butte a board chooses to represent through its actions, it should choose *something,* and crystallize that notion in the mission and vision statements. Otherwise, the group risks aiming too low. The articulated mission and vision are things that depend first of all on the success of the fund, and should exist for when future leaders recognize the opportunity to pivot but ask, "in which direction?"

The Target Area

The Butte-Anaconda National Historic Landmark District is vast, with nearly 6,000 contributing structures, many of which could benefit from the attention of a revolving fund. In such a target-rich environment several general strategies become apparent. A fund could select projects within the broader NHLD according to historic significance, giving priority to high profile buildings that are on, or eligible for, the National Register of Historic Places. Alternatively, a fund could focus on historic neighborhoods. One side effect of the latter approach is that of applying the economic benefits of historic rehabilitation and restoration work to help generate capital induction into the beneficiary neighborhoods. The more money the fund invests in a given neighborhood, the more attractive the neighborhood becomes for investors and home buyers, who in turn put more money into the neighborhood. With planning, and some luck, the neighborhood will improve quickly up to a point, beyond which potential property buyers will begin looking to invest their money in neighboring areas that are less expensive, potentially kicking off the revitalization cycle there, too.

Focusing on Uptown Butte, which has the highest concentration of contributing buildings within the NHLD, could revitalize historic neighborhoods there, increasing tax and business revenue. This could also go a long way toward changing the minds of Montanans who, for one specious reason or another, have judged Butte down for the count. Residents of other western Montana cities have been heard to bemoan the dilapidated state of Butte's buildings and to make the ghastly suggestion that they should all be torn down. Selecting properties to revolve that are in conspicuous neighborhoods, or are themselves readily observable to visitors, cannot but help ameliorate this misestimation of Butte. Such a sea change would surely benefit the tourism economy in Butte as well.

Neighborhoods could be evaluated based on a number of variables, including current home value versus a calculated appreciated value, historical significance and the condition of historical features, proximity to the broader Uptown cityscape, or metrics such as walkability or sustainability. Neighborhoods rate higher on walkability scales if they are near enough to walk to certain features, such as restaurants, schools, workplaces, and public areas. Neighborhoods with higher walkability scores will be more attractive to young families relocating to Butte, and money spent in walkable neighborhoods is more likely to stay local. In general, walkable neighborhoods provide for a higher quality of life, which in turn, makes them more attractive to prospective buyers.

Once the fund is well established, it is not inconceivable that it can begin setting its sights on some larger Uptown properties, even if just a portion at a time. One-off projects can become high profile preservation wins, if they are large enough or important enough. Taking them on, however, may require a level of sophistication and solvency that will take time to cultivate within the fund, as will connections to skilled tradespeople who are outside the circle of regulars who may ordinarily be contracted for rehabilitation or restoration work. Larger commercial or public buildings should be approached with caution, and even then they should only be taken on after an initial feasibility study and *pro forma* are conducted. Compatible new uses may need to be identified, developed, and marketed. One upside to revolving commercial buildings is the availability of federal Historic Tax Credits, which could help defray operating expenses for the fund. Of course much of the money for this rehabilitation work stays in the Butte area, especially when compared to new construction. Most materials used to restore a historic building can be sourced locally, as can most of the labor. At this time, however, the market for commercial buildings in Butte is still weak, and recouping fund monies from such a substantial investment could take years.

Strategic Partnerships

Forging partnerships in the community will not only facilitate the fund's operations, but will also help engage influential organizations or individuals in the business of securing a future for Butte's historic architecture. There are many kinds of partnerships a fund might seek, both public and private. Public partners could be government entities such as the Urban Revitalization Agency (a tax increment district in Uptown Butte), the local Historic Preservation Office, schools, or universities. Private partners could be groups or individuals, including construction firms, law firms, real estate agencies, banks, and non-profit entities.

Partners may provide opportunities, expertise, or resources, and some may do so without any formal partnership, but rather as a donation or a service rendered in kind. Some partners may serve on the fund's board, as well, such as real estate agents, bankers, construction financiers, or surveyors. If these members also work for potential partners, this association may lead to opportunities for synthesis between the two entities. For example, partnering with the local government could serve both parties by alleviating some of the county's property burdens while providing the fund with exclusive opportunities to acquire historic properties.

A Culture of Historic Preservation

Historic preservation depends on more than just activism. It has its own ecology, a network composed of conscientious owners, vocal proponents, builders and suppliers, leaders and influencers. One thing they have in common is a culture of preservation. They believe, as everyone should, that artifacts of the past - with buildings being among the largest - must not only be protected, but should also be appreciated. A city that hopes to retain its historic buildings should celebrate them, and the people who do so should share with others why those places matter.

This ought to be a matter of course for a preservation revolving fund. A strong fund should influence how residents perceive their city by demonstrating that restoration is not only feasible, but *preferable.* In this way, honoring Butte's heritage through reinvestment may become a path to the city's cultural and architectural future.

Recommendations

A mission statement that clarifies the fund's goals and aspirations will provide guidance under subjective or vague circumstances, but it must give the fund room to grow. Likewise, projects should be selected not only for their feasibility or profit margin, but also to achieve maximum community benefit, striving to support revitalization. This will go miles toward winning over hearts and minds and creating a culture of historic preservation. The fund should cultivate principles that support social equity and environmental stewardship, as well, though early survivability should be the primary strategy.

CHAPTER FIVE

ORGANIZATIONAL ISSUES

Limiting Liability

Operating any business comes with risks, and a revolving fund is no different. Lawsuits can be brought against a fund for a myriad of reasons, including injuries to visitors, contractors, or volunteers at a job site. Such suits have the potential to bankrupt a fund if precautions are not taken. A few strategies to reduce the fund’s liabilities are establishing a limited liability company (LLC), buying general liability insurance, and carefully overseeing worksite activities.

An LLC can help insulate the fund from its projects' liabilities, and can also protect its parent organization, Butte CPR in this case, from the fund's liabilities. Butte CPR should establish the revolving fund as a wholly owned, single-member LLC (SMLLC) subsidiary. This way, Butte CPR can retain control of the fund while protecting itself from risks associated with the fund's operations of buying, rehabilitating, and selling buildings. Formation of an SMLLC will cost little, and the articles of organization can be found on the State of Montana's website. It is also recommended that the fund establish separate LLC's for projects that meet or exceed certain, but as yet unspecified, thresholds of size, complexity, or risk. This will add another layer of protection for Butte CPR and the fund, and will also prove useful should the fund wish to take on equity partners.

General liability insurance can further protect the fund from risk, especially from claims resulting from normal business operations. These can result from physical or personal injuries or property damage. The coverage can also help pay for legal defense against such claims.

Promoting safe working conditions may help to lessen insurance premiums and avoid injuries. Using only licensed or certified exempt contractors is a good start. Thoughtful and commonplace precautions can also help, such as closing off construction areas to the public, clearly marking unsafe conditions, requiring the use of personal protective equipment on the jobsite, and of course adhering to state and federal guidelines and regulations.

Steering Committee

The entity responsible for directing the formation of the revolving fund is the steering committee, which in this case is already in place. The committee is responsible for winning grants to capitalize the fund, developing initial budgets, hiring staff, recruiting volunteers, drafting fund documents such as the mission statement and strategic plan, and implementing operating procedures. The influence of the steering committee will still be felt after the installation of a long-term board, whose job it will be to responsibly manage and grow the fund. An effective steering committee is fundamental to the success of the fund.

It goes without saying that members of the steering committee should be energetic and competent in their respective fields. Preservationists with experience or education should be present and actively advocating for the appropriate treatment of historic buildings, but much of the initial thrust should come from leaders with experience creating successful organizations or businesses, and those with the skills or connections to procure money to capitalize the fund. Many professional competencies lend themselves naturally to the formation of a fund and can impact the organization in meaningful ways, but some may not really shine until the endeavor is truly underway, when the fund will require a more rounded board.

Staff

There will come a point in the ramping up of the revolving fund when it will be beneficial to identify and hire someone who can dedicate their time, even if just half-time, to administrative duties. This staff member could be responsible for tasks such as tracking and applying for grants, communicating and coordinating with the board of managers and contractors, managing the process of acquiring properties, ensuring the needs of the business are well-tended, and generally serving as a consistent point-of-contact for government bodies and potential business partners.

Later, other staff may be necessary or desirable. A carpenter, a jack of all trades, a project manager, or a preservation designer, all of whom should be comfortable working in a historically appropriate manner, may eventually make for valuable staff members. An emphasis on teamwork and flexibility in job responsibilities may prove to be key until specific interlocking roles are satisfactorily hammered out, tested, and approved. Of course, the fund's ability to make payroll will dictate how many staff members can be sustainably employed. One or two versatile individuals may be all that is needed, as long as committee members can help pick up the slack when specialty services are required.

The steering committee should plan to transition control of the fund to a board of managers. The steering committee designs the revolving fund, raises its initial capital, develops guiding documents, and identifies and recruits individuals for staff and the board. The board's role is to manage fund operations, acquiring, restoring, and selling buildings. The most logical time to begin this transition is after the fund has received a substantial portion of its initial capital. A fund without money may lack credibility in some eyes, and could make board member recruitment more challenging. During this transition, the steering committee should continue fundraising and writing and revising forms and documents. The transition should wrap up before the fund acquires its first building, though the committee may continue to operate in the background, tying up loose ends and ensuring the board's first steps execute according to expectations, until it no longer serves a purpose.

Board of Managers

The revolving fund's board will provide ongoing leadership and expertise in support not only of fund operations, but also, in a broader sense, the mission statement and strategic plan. Regular, organized meetings in which projects are proposed, developed, and reported on, and in which policy to guide the fund is drafted and debated, are a necessary process to ensure the fund's efficacy and long term viability. It may be advisable to adopt a format based on Butte CPR's so as not to expend energy reinventing the wheel, and so that CPR board members will be made more comfortable dropping in on revolving fund meetings.

The steering committee will need to recruit individuals to sit on the fund's board. Members of the steering committee are probably already aware that they may be needed to serve a longer term beyond fund formation and maturation. The board should also include at least one representative from the fund's parent organization, Butte CPR. Other members besides these will depend on several factors. The fund's administrators should maintain a list of potential members, cross-referenced with their relevant expertise. Recruiting them may be as simple as asking, or may require more patience and effort. For this reason, guiding documents should be well resolved so that prospects can better understand the fund's goals and methodology, and how they may be asked to contribute. Well-prepared orientation materials describing roles and responsibilities can facilitate new members' transition to the board, enabling them to contribute sooner. Interviews may be necessary, but can be as informal as a conversation if the prospective member has already been vetted in other ways, such as if one or more board members can vouch for their skillsets, demeanor, and dedication. Furthermore, ongoing education of board members on topics such as preservation, local history, or architectural conservation would constitute an investment in the fund's leadership, and thus its future.

A diversity of complimenting expertise can help define members' roles and create a well-rounded board. Members from both the private and public sector should be included. Public sector members may represent the local historic preservation office, economic development agencies, urban renewal areas, or local bodies managing tax increment districts and other reinvestment programs. Private sector members may bring to the table experience in construction (such as contracting, construction finance, or project management), banking, law, or historic preservation. Specialists in real estate, surveying, marketing, or titling may prove helpful to a board, as can an architectural designer. Licensed architects may prove a challenge to recruit, but thankfully an architectural license would be superfluous until the fund is ready to take on commercial projects, giving the board of an acquisition fund an abundance of time to find and convince an architect to serve.

Volunteers

Volunteers are the lifeblood of many organizations, Butte CPR included. Butte CPR depends on the effort of volunteers for nearly every endeavor. Volunteers perform architectural conservation work and necessary manual labor. They also serve as hosts and docents during events, or as committee members. More than this, though, they see historic preservation in action and can feel empowered to recruit other volunteers, identify potential projects, or fundraise.

Volunteers can save an organization like a revolving fund significant time and money. Many jobs small and large can be found around an old house, so opportunities for volunteers to contribute will abound after the fund acquires a property. Newly acquired buildings need to be cleaned, which typically entails the removal of trash and detritus and then general de-griming. Some basic demolition work, such as removing irreparable plaster and lath, can be performed by volunteers, as can yard work or house painting.

Learning new skills can help make a volunteer position stimulating, and effective instruction can instill confidence. Some of the fund's projects may constitute opportunities to hold short workshops where motivated volunteers can be taught conservation skills as basic as carefully removing paint from wood or graffiti from masonry, or conceivably as involved as repairing window sash cords and sistering exposed floor joists.

Once volunteers have been adequately trained, they can be called on to do similar work on future projects. A list of volunteers and the skills they are trained to perform could be a useful thing for the fund's administrators to maintain, especially because most of the work that can be done by volunteers can be sorted into just a handful of categories. Depending on the success of such a program, the fund's administrators could consider celebrating volunteers' accumulated successes by awarding certificates when individuals have completed a pre-established course of training.

Other considerations in working with volunteers include public relations and leadership, because both are necessary and both are potential positive outcomes. Many organizations thrive on publicity, so successes should be celebrated and publicized, when appropriate, not only for morale's sake but also to inspire others to volunteer. It takes leadership to effectively organize and motivate volunteers, which could be an additional duty for paid staff, a rotating duty for board members, or possibly a job for trained volunteers. In this way, leadership could be cultivated in promising individuals, so long as there are frequent opportunities to hone those skills. Work should be monitored at all times, though, to ensure quality and to prevent unintentional damage to historic architectural elements.

Recommendations

The fund should incorporate as a Single-Member LLC under Butte CPR, and should buy general liability insurance before any projects are undertaken. Careful consideration should be given to which duties can be reasonably asked of board members, and which should be assigned to paid staff. Volunteers from the top to the bottom should be considered for duty not only for the skills they have, but also as resources to be developed for the future enrichment of the organization and the historic preservation community in and around Butte. To this end, training should be provided to volunteers in historic conservation, as well as soft skills such as preservation theory and leadership. Projects should be approached as opportunities to enrich the community by recruiting and empowering interested people to grow within the organization.

CHAPTER SIX

CAPITALIZATION AND COSTS

Introduction

Intensive fundraising will be required to kickstart a revolving fund. Moreover, as the fund grows in project capacity and sophistication, more expenses will crop up. Expenses will fall into three broad categories: project funds, seed capital, and administrative overhead. Project funds will be used to acquire property and perform rehabilitation or restoration work, or mothball the building, then market and sell the property. Seed capital will be used to pay one-time costs to initiate revolving fund activities, and, along with initial project funds, should cover expenses for the first year or two, until the first project is completed and invested project funds can be recouped. Administrative overhead includes staff payroll, insurance, rent for office space, advertisements, studies, and just about anything else that does not fall into either of the other two expense categories.

Funds can be raised through events, donations, grants, profits from projects, and endowments. Events can take many forms, such as historic tours, balls and galas, or catered parties, but generally require a substantial investment of time, and sometimes money, to organize. For this reason, an annual schedule of events makes a lot of sense. To make money, tickets can be sold, items can be auctioned, and donations can be solicited. Another source of income may be grants from public and private institutions. Local organizations such as the Superfund Advisory and Redevelopment Trust Authority (a redevelopment fund established as part of a Superfund agreement) and the Montana Cultural Trust are good places to start, as are the 1772 Foundation and HUD.

Of course the ideal revolving fund will produce more than enough capital in the course of buying and selling properties to sustain and grow the fund. This is an attainable goal, and should be the foremost fundraising strategy. The other strategies are useful to kickstart the fund, or to pull it out of hot water should it be necessary. If the fund does well enough, a certain amount of proceeds from successful projects may be earmarked for deposit into a reserve fund, which may in time develop into a substantial stream of income useful for covering administrative costs, as well as a safety net should misfortune befall the endeavor. Where individual contributions apply, disclosure about how the fund intends to spend the money is wise in order to avoid misunderstandings. Designating certain events to pay for specific costs may be the most forthcoming approach.

A potential strategy to help cover project costs is the formation of an investment cooperative. An investment cooperative is just about as it sounds: a cooperative of investors who want to fund a project to improve a historic building or neighborhood. Investors may pay anywhere from hundreds of dollars to thousands to buy shares in the co-op, which the co-op then uses to pay for rehabilitation and revitalization projects. The profit to shareholders is capped at 6% by the state of Montana, so people may invest because they want to see the project funded, not to see a high return. This path will probably require the services of at least one individual familiar with bookkeeping and reporting standards for state and federal regulatory authorities. It would also ensure a stable supply of volunteers who are vested in the project, including some who may have professional expertise to lend.

Capitalizing the Revolving Fund

Capitalization encompasses the most fundamental steps a revolving fund will make in its first 12 to 18 months. Thankfully, there is some latitude in where the seed capital comes from. Some funds are paid for with capital from the parent organization, some through public funding as part of a city or state development program. This fund will likely be paid for through grants from community development or preservation organizations, as well as some intensive fundraising. A fund could begin operations through an investment cooperative, or even residential home loans, as long as it has money for at least a quarter of the purchase price plus closing costs. Of course, there would also have to be room in the budget for repairs and improvements to add value to the property.

To know how much money will be necessary to operate the fund for the first year, a detailed estimate of seed capital would be the best place to start. A realistic calculation of the cost to acquire, restore, and sell the initial property or two along a reasonable timeline, with administrative overhead added in, all multiplied by a safety factor for unforeseen obstacles, should generate a practical figure with which to begin. Other one-time costs will occur during the fund's inception, such as legal consultation for what will be the fund's boilerplate forms, and fees associated with the formation of a SMLLC. In other words, the fund will most likely need to survive on fundraising for its first year without the expectation of income from selling properties. As such, the cost to capitalize the fund and see it through to maturity will be essentially the same as the first year's budget.

It will be important during this phase to maintain steady progress until the fund is capitalized. For one, administrative overhead, if there is any yet, can drain the fund of the capital it needs to acquire property. Also, it may be difficult to recruit volunteers if there is a perception that the fund is stalling out. It would be advisable to maintain enthusiasm for the project when possible, to keep clearing hurdles, and to not let those who showed interest in helping the fund believe that the committee has just forgotten or dismissed them.

Timing for Fundraising and Grants

In order to maximize initial revolving fund possibilities, a careful evaluation of funding options and timing is recommended. Timely grants may play a more critical role than large grants farther down the road, since by the time later grants come the fund may already have achieved capitalization. A thorough search to identify all potential grants is an effort that more than pays for itself. A successful program will keep a schedule of application and award dates, giving priority to the applications due soonest. It will bear in mind that material from these applications may smooth the way when applying for grants later on. Many grants will stipulate conditions for how the money is to be used, and these conditions should be conscientiously observed. Thoughtfully timing grant cycles can be a sensible methodology for planning growth beyond capitalization, including staff augmentations, transitions from single family to multi-family homes or from residential to commercial properties, and larger contributions to a reserve fund. One caveat may be to stay flexible with such plans, and to not rely too heavily on winning every grant. A strategy based on funding growth through project proceeds would complement one based on winning grants.

Project Funds

Project funds cover the expenses incurred as the revolving fund does what it's intended to do: buy, improve, and sell historic buildings. The money used to do this should grow over time, increasing at the end of each project, but how much it will grow will vary from project to project. In addition, the Urban Revitalization Agency (URA) has expressed considerable interest in partnering with a revolving fund to assist with, and assist in funding, projects that fall within its jurisdiction and fulfill its mission.

Initially, there should be some evaluation of each building’s purchase price and how much money it will take to bring them up to salable condition. The services of a volunteer with experience estimating project costs and requirements will be essential in ensuring the fund can profit from the project. That said, the fund’s purpose is to save historic architecture, so some buildings may be worth the intervention even if little or no profit is expected.

The single largest expense the fund is likely to incur is the cost of acquiring buildings. If financing through a bank, less capital is required (typically 25% for a residential property), though a lower return on investment (ROI) should also be expected, since less of the investment in the property results in equity for the fund. If funding through an investment cooperative, such as for larger projects when the fund might be looking to take on partners, the cost to acquire the building will be shared, as will the project’s risks. This approach may satisfy Opportunity Zone requirements, enabling such a coop to attract significant investments.

Owning a building carries costs, even when no work is being performed. Taxes, insurance premiums, and utilities must be paid. In a slow market, the fund can choose to acquire buildings in the early spring with an eye toward selling them in the fall, avoiding the less productive winter season, but in a brisk market opportunities must be seized decisively. That may mean mothballing a building until work can be initiated, which still involves costs. Some properties may require stabilization, such as reinforcing a slumping ridge before heavy snow can collapse the compromised roof, or bracing a failing brick wall until it can be properly addressed. Projects may also require certain security measures be taken, such as boarding up windows or crawl spaces and clearing out animal infestations.

The cost of rehabilitating or restoring a historic building can be great, sometimes amounting to more than the acquisition cost. However, performing restoration work can also increase the fund’s return on investment when the building is sold. Thankfully, the fund can rely on volunteers for some of the labor, including cleanout, landscaping, painting, and possibly more professional services, such as evaluations and preservation design planning. Other costs will include the usual suite of rehabilitation expenses, such as plumbing and heating, electrical work, interior and exterior finishing, appliances, carpentry, and possibly masonry.

Although selling buildings is how the fund recoups its investments, there are costs to do this as well. Many of these costs, such as marketing, may be covered by a seller’s agent, but the 6% agent’s commission will come directly out of proceeds from the sale. Other expenses may include contract conditions from the buyer, and taxes.

First Year Budget

The cost to capitalize the fund is tied directly to the fund's first-year budget. This includes buying, rehabilitating, and selling the fund's first property, as well as the administrative costs enumerated in previous sections. For a $60,000 single family house in Uptown Butte in need of substantial rehabilitation work, a typical scenario, construction expenses amounting to about 50% of the acquisition cost would require from the revolving fund at least $90,000 for purchase and construction. Adding in carrying costs for the property, administrative costs for part-time staff, general liability insurance, and a contingency fund for the project brings us over $100,000. This is a simplistic model, but it helps develop a ballpark figure for the first year's minimum fundraising goal.

Financial Goals

Operating funds of $100,000 is probably the minimum amount that enables the fund to acquire property without financing through a bank. Raising $150,000 in one year is ambitious, but much less risky for the fund. Obviously, the more money, the better, and even $200,000 is not only not out of the question, but also the best achievable fundraising goal. If, as in the above model, the fund invested $100,000 total, including administrative overhead, and sold the house for the current average sales price, $150,000, the fund would realize a profit of $41,000 after paying the real estate agent's commission. At this rate, assuming the fund realizes similar returns on most projects, and a correlation between dollars spent on rehabilitation and months of work before the project is ready for sale, as well as a "ramping up" period for the first two years, eight and-a-half years after initiating its first project the fund would be ready for small commercial projects, with total acquisition costs around $250,000 and a total investment of about $375,000 altogether. The fund would also have a reserve fund of about $89,000 at that point, if it begins depositing 10% of profits from each project after the first year and-a-half. This model is somewhat optimistic, since it assumes no downtime between projects, that 95% of available funds will be invested at the same time, and that each project is completed without too much difficulty or unforeseen expenses.

Starting with more than $150,000 cannot but help the fund. The fund could afford to be more conservative, keeping a reserve to hedge its investments. Alternatively, the fund could maintain the same proportion of investment, taking on more risk but also reaping greater rewards. For example, if, in the preceding model, the fund began with an investment of $150,000, it could commence acquisition of commercial properties two years sooner, at six and-a-half years out. With a starting project fund of $200,000 it could commence commercial projects at about five years from initiation. The fund could also begin aggressively, but gradually reduce the proportion of investment until a comfortable equilibrium can be established that allows it to create the desired impact without risking its own future.

The committee may wish to keep administrative funds separate from project funds. One way to accomplish this is for the fund to buy and hold income-producing property, taking on tenants and using their rent to pay the fund's administrative overhead. Such properties could be multi-family homes, storefronts, offices, or a whole highrise comprising apartments or condos, floors of office space, and ground floor commercial space. Managing such a property would be a big job, and might require bringing on staff or contracting out to a management company. An Opportunity Zone fund would be a viable way to achieve this, and if Butte's economy continues to expand, it could prove to be a profitable asset. If this hypothetical property brings in more money than the fund spends on administration, the overage should go into the fund's savings, a reserve fund for emergencies or special projects not directly related to the fund's day-to-day operations.

In general, however, the fund should take care to minimize its administrative overhead. Project funds are an investment that brings returns, thus money diverted from that purpose is a loss of potential. This is especially true in the first few years, when every dollar possible should be used to help grow the fund and expand it until it is running on all cylinders. This may entail operating at a capacity of three or four houses and a small commercial project per year, about six or eight years from inception of the fund's operations.

Recommendations

This fund's committee should aggressively pursue capitalization. To do that, it should identify and carefully track potential grants. If necessary, it should pursue other forms of fundraising, including partnerships. Once the fund has completed a couple projects, the committee should seek to provide a cushion for the future by establishing a reserve fund with contributions from project profits. Further down the road, the committee may choose to buy and hold an income producing property to help cover administrative overhead. Or, it can try the BRRRR approach, which is Buy, Rehabilitate, Rent, Refinance, and Repeat, and is a proven real estate investment strategy that provides steady income without locking up capital. Any way the fund can put an underutilized building back into meaningful service through investment should be considered, especially if the investment can further enrich the fund.

CHAPTER SEVEN

RECOMMENDED OPERATIONS FOR A REVOLVING FUND IN BUTTE

Introduction

How the fund will carry out its business of acquiring, rehabilitating, and selling historic buildings will require careful planning, organization, and sound judgment. Perhaps the most important decision the fund will make on a regular basis is which buildings to acquire. The fund's standard operations should include a clear set of parameters for scoring potential projects based on finances, scheduling, and impact. This will help avoid taking on projects for which the books will not balance, especially in the fund's early years. The evaluation process should be efficient, thorough, and conclusive, and may occasionally require consultants' services. Standardized, well-considered forms and documents can produce quick, complete, accurate, and insightful reporting to facilitate confident decision making. After the fund sells a building, the question of how to enforce its preservation easements must be addressed.

Project Evaluation

In acquiring a building to rehabilitate and resell, the fund must be highly selective. After all, the fund will be the first, and typically the biggest, investor in the project, and should also be its most exacting. The earliest projects will be the most critical to the fund's long term success, so on-time and within-budget project delivery is crucial. The odds of meeting these standards will be greatly improved with a thorough evaluation of the property *before* acquiring it.

Each fund's acquisition criteria will differ according to its circumstances, as well as its mission and vision, though they will naturally also share some commonalities. Considerations such as money and historic significance are obvious. The fund must make a return on its investment. Moreover, the return must exceed a minimum threshold or the fund may never meet its full potential as an engine for local preservation and revitalization. Historic and architectural value should also be given significant weight.

Establishing a Process

Pre-acquisition evaluation of potential properties is clearly essential, and should be composed of a broad spectrum of analyses. The report should include legal, physical, financial, and historic components. A standardized procedure should be developed and revised according to lessons learned or after-action reports. This will provide a key component for a framework of safeguards, alongside incorporation and insurance, meant to steady the revolving fund's path toward stability and growth. Assuming they are used in such a fashion, the evaluation process and report format can be honed and refined into valuable fund assets.

Just as there should be established criteria for choosing a project, there should also be criteria for flagging them as risky, or even ruling them out altogether. Projects that cost more money than they bring in are non-starters, as are projects that cannot be closely inspected before acquisition. If the fund needs more time to evaluate the property, and if the seller is willing, an option can be purchased to protect the fund's opportunity to acquire the building without obligating it to do so.

Some special cases will pop up, such as donations and emergency interventions, but they should be approached with caution since they may turn into a poison pill for the fund. As with all potential acquisitions, an evaluation will be necessary, so separate criteria for donation acceptance and emergency intervention should be established. Some ways to hedge the risk of such projects are partnerships, investment co-ops, public-private partnerships, or even wholesaling if the fund is confident that someone else will be willing to take on the risk of rehabilitating the building. Some buildings may be in such a state of decrepitude that purchase by another well-intended buyer will be unlikely. In this case, acquisition, stabilization, demolition of irreparable materials, cleanout, and resale to a trusted developer should be considered. The house would not yet be suitable for occupation, but could entice investors looking to fit out a shell to their own specifications.

Return on Investment

A careful and complete accounting of expected costs to acquire and rehabilitate each project, compared to an anticipated resale value, should make choosing the best option clearer. One tool that will help guide the board to the most effective use of the fund's money is the *pro forma.* The pro forma is an accounting of all of the costs associated with a project from beginning to end, and of all of the income generated through the process. It is an objective test of the feasibility of a project that can be standardized for use on other projects of a similar type.

Typical debits to be listed on the pro forma include property acquisition, as well as the hard and soft costs of the rehabilitation. The projected sale price of the building, based on recent comps, as well as any other income such as grants or third-party investments would constitute credits. The credits should amount to substantially more than the debits for the project to be a good bet for the board. In the case of apparent ties when comparing properties, the risk of unanticipated expenses and potential community impact should be the deciding factors.

Legal and Titling Issues

Unless the property comes from a tax auction, cadastral records, the county clerk, and other tax records should be consulted to ascertain salient facts about the owner and the legal status of the building. This should be enough to scope out potential titling conflicts, such as multiple, out-of-state, or corporate owners, as well as encumbrances, liens, and easements. The fund will ultimately need to engage a titling agent for a deeper search should the acquisition process proceed, but that expense will not be necessary if staff can reasonably rule out a property based on open source information before any contracts are signed.

Historic Significance

The history of a building, imbued in its finishes, architectural elements, massing, windows and doors, interior spatial configuration, historic owners or uses, and general style, should be identified and described in the pre-acquisition evaluation. Information about significant components or forms can help shape the rehabilitation plan, lending insight for prioritizing areas for work or preservation.

Because we intend to focus our efforts on the National Historic Landmark District (which was updated about 15 years ago), many of the buildings we will choose to improve are already listed in the National Register of Historic Places. We will, however, be careful to identify those architectural elements that are critical to the property's listing (something that the nomination often did not note in sufficient detail for our purposes).

Physical Soundness

A systematic, complete examination of the building should include all systems within and without. It should be examined by more than one set of eyes, representing as many competencies as practical. The goal is to identify as many potential issues as possible, and the resulting report will constitute the basis for a scope of work estimate, which then is incorporated into the rehabilitation plan, pro forma, and bid documents.

The property's structure and envelope, as well as its plumbing, electrical, and heating systems, should be evaluated. The structure includes foundation, floor joist, wall stud, and roof rafter systems, while the envelope includes the exterior walls, roof, windows, and doors.

Scheduling Issues

As part of the pre-purchase evaluation report, any issues that may prolong the construction or rehabilitation process should be noted.

For example, projects that feature masonry should be approached with caution, since the availability of qualified masons in the area is minimal. A need for masonry work is all but guaranteed to push a project’s timeline out by as much as a year, or even two. One possible exception to this may be weathered brick chimneys. Possibly a volunteer could be trained and trusted to repoint this small amount of masonry in a manner consistent with applicable standards and best practices.

Design Drawings

Another way to evaluate project feasibility is through design drawings. Drawing up designs in the form of detailed floor plans, sections, elevations, details, and even perspectives can serve a number of uses in most phases of the project, including in evaluating potential properties. Firstly, it can be used to visualize the scope of the work to be done so that no potential rehabilitation work goes unconsidered, or is not identified until too late in the project. Secondly, drawings are a graphical way to identify and work out design problems within the proposed project, and can allow the board to literally see what they are spending the fund’s money to accomplish.

Additionally, drawings can be used to communicate design intent to contractors, the board, or even potential investors. Well-produced preservation design drawings are valuable assets even after the project has wrapped up. They become part of the historical record of the building, and copies could serve a number of purposes. Construction drawings could be useful in the future for tracking changes to a building, including for easement enforcement. A well-produced perspective could be useful in marketing applications and may be popular with buyers to hang as art.

Two downsides are that design drawings may take time that the fund does not have before it must put plans into motion, and that individuals trained and available to produce such drawings may be in short supply, or beyond the fund’s means.

Challenges to Acquiring and Rehabilitating Properties

Establishing SMLLCs and purchasing insurance will reduce each project’s risk to the revolving fund, but a number of challenges could arise to derail the project. These challenges range from property rights issues - such as titling complications, reluctant buyers, or liens, easements, and other legal disputes - to costly conditions that were not identified and considered before acquisition. Contractors bring their own risks to a project. Much depends on how well the project is evaluated and planned, but the risk of circumstances changing can never be fully eliminated, and such complicated projects seldom go exactly according to plan.

Knowing how to go about efficiently resolving such problems when they do occur, and who can be relied upon to facilitate resolution, or even how to escape from a hopeless situation without losing the fund's investment, will all require experience. However, the ideal time to start brainstorming solutions is not in the midst of a crisis. Some of these challenges can, and should, be planned for, at least to some degree. For example, the board, or staff, could identify potential problems and develop case studies a little at a time until a store of practical knowledge and documentation has been compiled. Flowcharts for particular problems could be useful if they are thought out, but not too specific, as can a list of individuals who have dealt with similar issues.

Of all possible complications to acquiring a project property, legal and titling issues are likely to be the most challenging. Many buildings in Butte are owned by multiple parties, not all of whom are in good stead with each other. One owner may be motivated to sell, while one or more of the others could be reluctant, and personal issues may further complicate negotiations. Each will need to be dealt with on their own terms, if terms can be reached at all.

Some owners may overvalue their property and expect unreasonable compensation, and to them selling a building at fair market value, much less taking a charitable approach, is not worth the time. Other owners may be difficult to contact, or even identify, if they are out of state, or if the property is owned by a corporation such as an LLC. Contact information for such owners may be unreliable or no longer valid. The county should have a current address for such properties so tax invoices can be delivered. If not, the property may eventually end up at auction for unpaid taxes.

Some properties may even have a combination of these titling characteristics, and the issues may not be able to be resolved within the fund's time constraints, if at all. If the board and staff are aware of red flags for such potential complications, and if checking for them is one of the pre-acquisition evaluation requirements, they can be avoided. Title searches could also be a valuable pre-acquisition safeguard, should the board have cause for concern.

In addition to legal and titling issues, a myriad of material and structural problems can arise during the course of a project. Ideally, all of these would be identified and evaluated in the pre-acquisition phase, but that may not always be the case. Costly issues could be hiding behind plaster or a fresh coat of paint. For this reason, it is important not just to inspect the property prior to acquisition, but to inspect it with multiple sets of eyes from differing backgrounds. A building professional with years of experience will be invaluable for this, but that person alone will not always be enough. Individuals with backgrounds in the building trades, real estate, architecture, or preservation technology and design may ask questions that would not occur to others. The point is to ask the right questions and raise the right issues before these problems become the fund's problems. The board, or staff, should keep and update logs and Lessons Learned files to build a body of knowledge that can be used in the future by others working for the revolving fund, lest a hard-earned repertoire of problem solving expertise becomes lost to the fund when a staff member leaves.

Managing a construction project, a significant part of staff's responsibilities, is not just about organization, but also about managing the people paid to get the work done. Contractors should be vetted to ensure they can work on a historic building in a manner consistent with preservation best practices. Some projects suffer delays when contractors who do not know better damage or demolish historic materials, which then need to be appropriately repaired or replaced. Also, contractors may become sick or injured, and without quick thinking and a bit of luck this can push the schedule and create conflicts that could delay the project by months or longer, as all the while money seeps out of the fund in the form of carrying costs and administrative overhead. As stated previously, the fund should maintain a list of trusted contractors who can be called when the need arises.

Prescribing Action: The Rehab Plan

When the evaluation is complete and pertinent decisions regarding the prioritization and budgeting of work have been made, the rehabilitation plan is what ties it all together into an actionable document. It can be distributed to contractors and retained by the fund as a record of existing conditions and work performed. This will help in a number of ways, including keeping the project organized, protecting historic features from damage by contractors and volunteers, and serving as an authoritative document should conflicts or confusion arise. It may be used as the basis for bid documents and contracts, as well.

This document can be standardized in format, but only minimally in content, since the particulars of each project will vary substantially, even within the same type of building. Some sections, such as those that address the discovery of artifacts or unexpected historic materials or architectural features, such as windows or wood paneling concealed behind gypsum wallboard, may be boilerplate, however.

The rehab plan should include technical drawings that call out the scope and quality of work to be performed, as well as those existing elements and finishes that should remain unaffected. This graphical information should be cross-referenced against the rehab plan to ensure conformity, and should follow conventional construction drawing standards.

Consultants

For larger or more complicated projects, it may be desirable to call on consultants. For commercial projects, it may be required. In Montana, changes to structural or safety systems in public or commercial buildings, or residential buildings with more than eight units, require a licensed architect's stamp. Structural work may also require an engineer's stamp. Quotes for this professional work should be included in the pro forma, or estimated if a quote cannot be obtained. This work may push the schedule if it is not identified and requested early enough in the process. Again, the fund should maintain a list of contractors and professionals it can rely upon.

Other consultants that the board or staff may wish to engage include designers, historians, surveyors, real estate agents, banking and financing professionals, and developers. Individuals with these backgrounds should already be involved with the fund in some form, whether serving on the board or having an association with Butte CPR, so that finding and getting in touch with them should not be a challenge. The fund's board and staff should be able to find the answers to many of these dilemmas in-house, however, unless exigent circumstances necessitate greater expertise be brought to bear on the matter.

Forms and Documents

Well-considered, standardized forms and boilerplate documents prepared through a lawyer will serve the fund in several important ways. They will simplify operations, enabling the fund to be more agile without compromising due diligence, reduce administrative overhead due to reduplicated effort, and hopefully prevent legal gaps or loopholes created through human error. Types of forms and documents that may be useful include a tool for rating and comparing acquisition desirability, a donation acceptance checklist, general conditions pages for the rehab plan, pre-sale checklists, easements, memoranda of acceptance, waivers, training material, and contracts.

To save time, pro forma spreadsheets can be configured to be semi-automated, pre-populated with basic market statistics using macros to pull current data and other information already aggregated on cadastral and at analytic sites such as Zillow. Macros and formulas could be used to automatically make many reasonable guesses or ballpark estimates, too, but should be transparent in how they do so, and their output should be reviewed and vetted by a person.

If the revolving fund turns toward computers to aid in design and drawing, a little preparation upfront could save a lot of time in the long run. Extensive libraries of materials, fixtures, and furnishings should be collected and indexed, along with entourage, such as silhouettes and furniture, production aides such as lighting and camera templates, publishing tools such as layout templates for design and construction drawings, and standardized photo editing effects layers, masks, and batch processing settings. If the workflow is well designed and laid out, with most overly technical operations automated, a volunteer could be trained to produce rendered 3D perspectives from 2D technical drawings.

Other technology may be employed to save time and money, without sacrificing project efficacy. LIDAR-capable tablets, for example, still in their nascent stage and now just beginning to enter the high end of the market, are a promising technology for any operation compiling drawings or models of buildings. It allows cameras to detect and collect spatial information about objects and areas and could be used to record a house or building in minute 3D detail within minutes. The applications for this in measuring and recording historic buildings are potential game-changers for preservation operations where walls are seldom plumb, door frames seldom square, and floors seldom flat and level. Of course, as with any expensive technology, access should be restricted and asset control procedures should be instituted. This may entail keeping tools under lock-and-key, password protected, and accessed only through a check out-check in system with regular audits.

Ongoing Monitoring

After the revolving fund has rehabilitated and sold a project, it will be desirable to monitor the property. Without infringing on property owners' rights, fund managers should ensure owners comply with the preservation easement attached to the deed. This could be accomplished through voluntary self-reporting using semi-annual or annual prepaid mailers and emails, or an active social media group soliciting pictures and walkthroughs of rehabbed properties, sharing advice about upkeep and maintenance, weatherizing old houses, trusted contractors, and so on. Regular dashboard surveys of rehabbed buildings could be a convenient form of monitoring, though only so much information can be gathered by looking at the outside. The fund could also encourage participation in Butte CPR's Dust to Dazzle tours as a way of augmenting the preservation community and supporting Butte CPR, while also monitoring easement compliance.

CHAPTER EIGHT

MARKETING

Introduction

A revolving fund should celebrate its successes, recruit like-minded volunteers, and drum up opportunities, and one way to do all of this is through marketing and branding. Marketing can help the fund attract not only investors, but also sellers who have not yet put their property on the market and buyers looking to make a difference with their money.

There are many ways an organization can advertise, depending on its budget. Some methods are free or low-cost, while other more traditional forms of advertising are costly but proven. Since this revolving fund is young, managers will have little need, or room in the budget, to spend money on advertising in the near future. By the time the fund hits its stride, however, some strategic thought should be given to how the fund attracts sellers and buyers, and to how it interfaces with the public.

How the fund brands itself, and manages that image, is important. If done right, the fund can help a community understand the connection between rehabilitation and revitalization, generating donations, volunteerism, business connections, and general good will. By publicly celebrating successes and advertising the number of jobs either supported or created, as well as other economic impacts, the managers can expect the fund to have the support of the community. Of course, the fund must achieve these things before it can tout them, making this a tactic that can be used after the fund has matured. In the meantime, free advertising, such as word-of-mouth, local news, and an active online presence, can help get the fund's name out in the community.

Marketing to Acquire Properties

Initially, the revolving fund will not be in a position to advertise for properties to acquire, but if the buyer's market continues to contract it may become necessary. Butte has limited capacity for new housing construction, and if the county's population continues to grow the pressure will be on existing housing. This will result in stiffer competition amongst home buyers.

Partnerships with real estate agents who understand the fund's selection criteria may be invaluable if it means the fund is the first to hear about promising properties entering the market, nearly obviating the need to advertise for off-market properties altogether. Some sellers may be inclined to give the fund first-look rights before the property is put on the market, and possibly save money on agents' commissions and closing costs in the bargain. It would be advisable to cultivate relationships with select real estate agents, or their firms, and to appeal to sellers' hometown pride through advertising to earn opportunities to acquire properties before they enter the market. Purchase options may be a good idea, as long as the fees are justified on the balance sheets.

Marketing to Preservation-Minded Buyers

In the midst of a strong seller's market, advertising may not seem necessary, but a sound strategy for marketing properties to sell may more than justify itself in the returns on investment. Competition among buyers would be greatly beneficial for the fund, and if a preservation-minded buyer makes a competitive offer, all the better. Again, this may entail cultivating relationships with real estate agents, or their firms, to earn priority consideration and enhanced property promotion.

This may also be accomplished through a shift in how the fund views marketing properties, not just accentuating a home's beauty or historic value, but also its neighborhood or what the rehabilitation means from a sustainability standpoint. Walkable, vibrant neighborhoods may become valid selling points for Uptown houses in the future. Uptown Butte has the benefit of feeling more like a city than most other places in Montana, owing to its remarkable stock of historic highrises, the likes of which cannot be found in such abundance elsewhere in the state. This can lend it a more metropolitan feel that may help attract young families.

Sustainability can also become a selling point. Buildings that are more resource efficient tend to be less expensive to own, especially as the cost of electricity ever increases. At one time, sustainability and preservation were regarded as being in opposition, but *the greenest buildings are the ones already built.* Many buildings older than any in Butte have achieved the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) certification. The Sede Centrale Ca Foscari in Venice, for example, the headquarters of a university built in the 15th century, earned LEED certification in 2013.

Once the revolving fund is in the business of stabilizing and rehabilitating commercial buildings, achieving certification can help the building sell. Aiming for LEED certification for every project would be impractical, as would placing sustainability before project ROI, but it should be kept in mind for inclusion in the strategic plan to be implemented on a case-by-case basis a few years down the road, after the fund is well established and ready to take on commercial building projects.

Opportunity Zones in Butte

Opportunity Zones are part of a program created in the Tax Cuts and Jobs Act of 2017 and are intended to spur capital reinvestment in designated areas, which are almost all low-income areas. Individuals invest in Qualified Opportunity Funds, which, like a revolving fund, acquire existing property and substantially rehabilitate it. But, unlike a revolving fund, the QOF holds its investment in the property instead of reselling it. This is in order to trigger one of the several tax advantages investment in OZ's offers. After the QOF has held its investment for 10 years or longer, it does not have to pay capital gains taxes when it sells the property, as long as the initial investment was made using a capital reinvestment that would ordinarily be subject to capital gains taxes.

In 2019, Uptown Butte was designated an Opportunity Zone. Currently, there is at least one QOF operating in Butte, rehabilitating and then renting substantially deteriorated houses. How much the OZ designation will ultimately help Butte has yet to be seen, but the designation is important for a couple reasons. Firstly, rehabilitating Butte's historic commercial architecture makes for an even better investment, and when potential investors are looking for QOF's to roll their capital into, Butte will be on the list of qualified places. Secondly, there is the option to form a QOF to operate in cooperation with Butte CPR and its revolving fund. This could be a way to rehabilitate commercial buildings in Uptown Butte's urban core sooner than would otherwise be possible.

A group or individual can qualify as a QOF through a self-certification process by filling out Form 8996 on the IRS website, as long as the corporation is organized specifically to invest in OZ's. Many QOF's are created to realize specific projects, instead of working their way from one project to the next, as a revolving fund would do.

If a QOF invests in a building in Uptown, its controllers may require consultation about earning Historic Tax Credits, which can cover up to 20% of qualified rehabilitation expenses. This could be an opportunity for revolving fund staff to earn consultancy fees that would help support the revolving fund. For example, staff could guide a developer through the process of applying for these tax credits and advise on how best to ensure the rehabilitation aligns with the required standards.

Cultivating Good Will in the Community

The revolving fund’s enduring aim will be to revitalize Butte by spurring reinvestment in its historic architecture and neighborhoods, to support and create jobs, and to beautify Uptown. These should be well-known facts among the community before more than a couple years have passed. The fund’s successes should be celebrated publicly, since the people of Butte gain from them, too. Each house along a main Uptown corridor, such as Main Street, Park Street, or Montana Avenue, that is restored and made beautiful again will be noticed and appreciated by scores of people. It is only fair that the revolving fund should get the credit it deserves in these cases. It is recommended that the board and staff regularly take steps not only to make this so, but also to keep any public conversation about the fund on-message. This may entail a persistent presence at Historic Preservation Commission meetings, for example, and regular press releases.

The internet, and particularly social media, can be used to groom the fund’s image and to build an inexpensive marketing platform. Content such as walkthroughs of property, how-to’s for common problems with old houses, or before-and-after photos cost little to produce but can generate leads and stimulate interest in the fund’s mission. An established, dynamic online presence can help attract and convince potential investors, as well, should the board choose to pursue organization of an investment coop or a QOF.

CHAPTER NINE

CONCLUSION

Outcomes of a Revolving Fund in Butte

A successful revolving fund in Butte will produce many benefits, some immediate, others building gradually over time. The fund can save individual properties and lift up entire neighborhoods simultaneously. On the scale of an individual building, the fund's intervention can extend its life by decades or longer. On the scale of a neighborhood, rehabbing just a few houses on a block can go far to beautify it and to inspire other owners to reinvest in their houses, and to inspire outside investors to rehab other houses in the neighborhood. On the scale of the city, dollars spent by the fund to rehab houses go to pay workers in several fields and industries, and more of that money stays local than with new construction. In fact, rehab activity itself stimulates local economies by supporting existing jobs and spurring the expansion of existing industries, leading to the creation of more jobs. More jobs means not only more jobless adults finding work, but also families moving to Butte and filling vacant houses, as well as higher wages for many other jobs, thereby increasing quality of life for workers and their families.

Intervention

A revolving fund in Butte will have, and will need, several strategies for intervention to save historic buildings. The nature of a revolving fund dictates that acquisition will be the most common method. Some properties will be acquired through a deliberate process, while other acquisitions may be prompted by circumstances, though any acquired property will have been thoroughly vetted beforehand.

Acquisition is not the only intervention tool available to a revolving fund, however. The fund may purchase an option for a property to buy time while it searches for a competent developer, in which case the fund may capture a finder's fee, in addition to saving the building without ever buying it. The fund might, alternatively, purchase an option, draw up a rehab plan, and then resell the property to a competent contractor, capturing a finder's fee and developer's fee in the process.

Intervening in larger projects, such as commercial properties, may require capital beyond the means of the fund alone. In such cases, a Rural Investment Cooperative or a Qualified Opportunity Fund may help fill that funding gap. Raising money for a Rural Investment Cooperative would require selling shares for a particular project or mission, such as supporting the revolving fund itself. The Rural Investment Cooperative would invest in the revolving fund's project and eventually recoup its investment, along with a return, when the revolving fund sells the rehabbed property. A Qualified Opportunity Fund would use Uptown Butte's status as an Opportunity Zone to buy, rehab, and hold income producing property, using funds from investors looking to reap tax breaks on capital they have rolled over from other investments.

Final Evaluation

The question around establishing a revolving fund in Uptown Butte is not *if*, but *how.* Butte has a vast quantity of historic buildings that can be renewed and remade into useful and beautiful members contributing once more to this small but thriving city. The market will support a revolving fund. Selling rehabilitated houses at a profit, with preservation easements attached, will not be inordinately difficult. In fact, a revolving fund could have done well in Butte's residential market as far back as five or six years, if it chose its projects carefully. It still can achieve important preservation objectives as a small to medium scale fund turning over two to three houses per year. This would create valuable long term benefits for Butte, but would take a few years to gather momentum and attention.

If the board endeavors to revitalize Butte's historic commercial core, however, it will need to either bide its time to build its store of capital, fundraise vigorously, appeal to large granting authorities, or develop another fund, such as a Rural Investment Cooperative, a Qualified Opportunity Fund, or something else that leverages capital from a pool of investors outside of the revolving fund.

There are many important decisions to be made when planning the organization and operation of a revolving fund. In the early years, the fund should start small, taking deliberate steps while fundraising to raise capital. The first few projects will be crucial and should be thoughtfully selected, carefully vetted, and executed on time and within budget. Mistakes made on these initial projects may lead to long delays while the fund waits for the house to sell before it can recoup its investment. In this scenario, the fund would be unable to move on to other projects because at this stage it will only have enough capital for one project at a time, and all the while it would be hemorrhaging money to cover carrying and administrative costs.

During this early stage, the board should not lose sight of the operational complexities looming on the horizon, when the fund will turn over properties simultaneously, organize investment funds, or tackle commercial projects. A staff member, while entailing a persistent drain on the fund's resources, should be able to more than make up for this loss of capital by expediting projects and facilitating the fund's maturation. This person should be organized, and should be able to make smart decisions regarding design, new and historic architectural finishes, and the coordination of projects and project elements. On top of this, staff will be expected to interface with major granting agencies, the revolving fund board, the Butte CPR board, building contractors, and occasionally city/county building officials. After the fund is established, the staff may also be asked to maintain a social media presence on behalf of the fund for branding and advertising.

The revolving fund board should be composed of members not already serving on Butte CPR's board, except for one or two representatives designated by Butte CPR. The board should be primarily focused on planning fund operations, especially while the fund is most in need of its attention during the first few years. Ideally the board will be composed of members who are professionals in their fields, which should be essential disciplines for the development and administration of a revolving fund. Real estate, banking and finance, and construction development professionals should be the highest priority for recruitment to the board. Of course, a commitment to historic preservation should be a highly recommended condition for appointment to the board.

The prospect of organizing a revolving fund may be daunting, but it is nonetheless essential for the future of historic preservation in Butte. Where cycles of apathy and neglect threaten buildings, the fund can break this pattern. Where Butte's history is obscured by decades of poor remodeling decisions, the fund can unmake them. A revolving fund can create a powerful niche in the local historic preservation community, one that is otherwise not easy to fill. It would give Butte CPR greater agency in the historic building market because a revolving fund can do things that Butte CPR alone currently cannot. It would mean more historic architecture saved, more historic neighborhoods uplifted, and more economic activity generated in Uptown. The question of establishing a revolving fund in Uptown Butte is not *why,* but rather *why not.*