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**REAL ESTATE**

# Giving Where You Live (In These Cases, Literally)

**By ANNA BAHNEY**

AFTER 33 years as a school psychologist with the New York Board of Education, Ralph Rosenberg retired in 2001, and although he was only 55, he was already thinking about his legacy. He considered selling a studio apartment he owned and donating the profits to a charity. He had bought the apartment, in the Kips Bay section of Manhattan, as an investment property for $64,000 in 1983. But when he had it appraised in 2000, it was worth more than $200,000.

Reeling from the capital-gains tax that he would have to pay, Mr. Rosenberg decided to donate the studio to the UJA-Federation of New York, a nonprofit group that finances health, social service, education and community programs.

"After I donated it, they took over the property and they sold it," he said. "The proceeds went into a charitable trust. They invest that. I was able to make a maximum donation and get tax benefits."

In the late 1990's, appreciated stocks were the preferred form of noncash donations, but now, with the real estate market appreciating more steadily than the stock market, fund-raisers are showing increased interest in summer homes, ski cottages and apartments.

Individuals donated an estimated $180 billion to charities in 2003, according to Giving USA, the name of an annual report by the Center on Philanthropy at Indiana University in Indianapolis. Of that, experts say that only a small percentage comes from real estate donations. **With real estate accounting for 29 percent of total household assets in the United States, it is one of the last untapped sources for charitable giving, said Dennis Bidwell, the principal of Bidwell Advisors, a real estate gift planning firm in Northampton, Mass. (Emphasis added.)**

"Real estate is one of those assets that have represented increasing value," said Charles Goldman, group vice president for planned giving and endowments at UJA-Federation, who assisted Mr. Rosenberg's donation. "The stock market has been so volatile. We're out there talking about gifts of real estate."

In Mr. Rosenberg's case, the apartment was placed in a trust, which sold it for $216,000 in one week. This allowed him to avoid capital gains and receive a charitable donation tax deduction on the assumed value to the charity.

The money from the sale of the apartment was placed in a charitable remainder unitrust, a diversified fund revalued annually, and Mr. Rosenberg draws a fixed 7 percent rate from it yearly until his death, when the assets will go to the UJA-Federation. He was also able to earmark 25 percent of his gift for the American Cancer Society upon his death, a cause close to him because his parents died of cancer.

"A lot of people in my generation, we were very idealistic, but we had to meet financial demands for family and self," Mr. Rosenberg said. "Now is a good time to give back."

For institutions, gifts of real estate can be more challenging than cash or stocks. While some organizations may have use for a donated property, the most beneficial action for both donor and institution is usually to sell it. But the property has to clear some criteria: it must have appreciated in value and not been on the market for a long time; it must also , be marketable and environmentally sound. While the property can be accepted with an outstanding mortgage, donors may have a harder time finding an institution that is willing to accept it.

As Dan Chegwidden, director of planned giving at Michigan State University in East Lansing, put it: "Gifts of real estate are sort of like the forward pass in football. Two out of the three things that can happen are bad: it can be dropped or it can be intercepted. Or it can be caught."

Mr. Chegwidden said that his office now accepts less than 15 percent of the real estate that comes its way. Fifteen years ago, he said, the number was higher. "We had property that sat around for years and years until we finally sold it, because we weren't very sophisticated," he added.

One property accepted by Michigan State was a house donated last month by George H. Lauff, 77, an aquatic biologist who was a professor at the university and former director of its W. K. Kellogg Biological Station, an off-campus ecological research complex. Dr. Lauff built a rambling house near the complex, which is on a former estate that was a gift from the cereal magnate W. K. Kellogg.

"In a sense, I was reluctant to proceed as I have," Dr. Lauff said, referring to donating his home. "But there is also a reality that it was becoming a burden."

Twice in the last 20 years, Dr. Lauff donated real estate to the university. The money from the sale of those properties was large enough to qualify as an endowment, which by the early 90's became the George H. Lauff Scholarship fund for students at the biological station, and will continue to grow with his most recent donation.

Universities and research institutions are often better equipped than charities to handle real estate gifts because they already buy and sell buildings. Many charities, especially those with small staffs or without large real estate holdings, do not have the expertise or experience to manage cumbersome real estate donations.

If a group cannot accept a gift of real estate, donors should consider an alternative: community foundations, which are public charities that act as clearinghouses for donor funds that are parceled out to various organizations.

"Many charities shy away from real estate because of the complexity, legal issues or environmental issues," said George S. Bittner, vice president of advanced giving at the Greater Kansas City Community Foundation. "We wanted to be a resource that people could tap into to donate real estate."

A benefit of community foundations is that they can act as a clearinghouse for gifts of real estate for donors who have multiple charitable intentions. "If they wanted to donate to four interests," Mr. Bittner said, "it would be hard to divide that between them. We can make the sale and parcel the money to the charities."

But individual organizations are recognizing the value that real estate donations can bring, even those that seem problematic. For example, Lynn Cummings, the director of planned giving at Alley Cat Allies, a group in Washington devoted to caring for feral cats, transformed a complex real estate donation into a gift that will potentially bring in $100,000 to her group. Last month, Katherine Dojacques, an obstetrician-gynecologist in her 40's and a cat lover, decided to donate her 1904 Victorian house with eight bedrooms in Sault Ste. Marie, Mich., when she moved to Portland, Ore. But she had $150,000 left on her mortgage.

"She was first interested in this complicated idea of an estate plan," Ms. Cummings said. "But she was so young. She wasn't going to see a lot of these tax benefits until way in the future."

Both parties entered into what is called a purchase sale agreement, in which the title of the property is exchanged for paying off the mortgage. The charity will sell the property and the donor will receive a tax deduction for the amount she had paid off.

In Sault Ste. Marie, where the median house value is $87,000 and Dr. Dojacques's house is on the market for $350,000, the donation of such an expensive property is something that does not happen often. But she has no regrets, only more plans.

"That's why I work, to generate money for my charities," said Dr. Dojacques, a frequent contributor to animal causes. "Next time I buy a house, it will automatically be transferred over to them.