

Ramping Up Real Estate Gift Activity

By Dennis Bidwell

As gifts of cash and appreciated securities remain hard to come by, more and more non-profit development shops are turning their attention to other assets. This often means an increased interest in real estate gifts, since real estate is by far and away the largest asset category for most U.S. households.

I have found that different organizations have increased their level of real estate giving through different strategies, which tend to vary as a function of the size and nature of the particular development operation. One thing that is common to all of these pursuits is a belief that the massive real estate wealth transfer taking place every day offers fundraising opportunities that can no longer be denied or delayed.

I present here my experience of how development shops of various sizes – small development operations, medium-size development shops, large development departments — have moved in some instances from almost accidentally receiving the occasional real estate gift to intentionally pursuing and closing the “right” real estate gifts in larger volumes.

Small development operations

I find that many smaller development departments – especially those staffed by one or two staffers wearing multiple hats, where there is limited planned giving experience – think they simply don’t have the capacity to undertake gifts of real estate. But some of these organizations have attracted and completed an initial real estate gift, learned from the experience, then taken steps to grow their real estate gift activity. What have they done?

First, presented with a potential real estate gift that “just appeared out of nowhere,” they have sought the assistance of a local community foundation, a college or university with real estate gift experience, or one of the several private consultants concentrating on gifts of real estate. Using outside expertise to help arrive at the gift structure best suited to donor and non-profit, and to conduct appropriate due diligence investigations, and obtaining necessary internal approvals and arranging for help in disposing of the asset, such organizations have completed real estate gifts.

Increasingly, I am finding that such instances spur the organization on to think about how to more purposefully and systematically attract and process real estate gifts in the future. This sometimes leads to a desire to develop more formal gift acceptance policies and procedures covering real estate gifts. Often, the first major real estate gift can form the basis of a marketing effort aimed at encouraging those making decisions about disposing of real estate to call to learn about interesting charitable options.

In many instances, such organizations choose to firm up a relationship with a real estate gifts consultant, who stands ready to offer assistance when other situations arise.

Medium-sized development shops

For organizations with larger development operations – perhaps including a planned giving director – I have found that the same approaches used by smaller organizations often apply, but sometimes with more likelihood of using outside counsel of some sort as a coach, guiding the development officer through the steps of structuring, evaluating and closing a real estate gift. Such organizations often also find it helpful to train board members and top management in how to recognize a real estate gift situation staring them in the face.

Larger development departments

Large non-profits with full-service development departments – perhaps with staff in major gifts, planned gifts, annual fund, development research, leadership gifts, development operations – have been especially aggressive in recent years in turning their attention to the potential of expanded real estate gift activity. Existing gift acceptance policies and procedures are often updated to reflect emerging best practices regarding real estate gifts. Gift officers from the organization's various departments and schools and institutes are often convened for specialized training in real estate gifts, where the emphasis is recognizing opportunities, growing comfortable initiating real estate gift conversations, and how best to handle the "hand-off" to the planned giving department or wherever else real estate gift expertise is housed.

Sometimes these organizations have internal real estate departments to turn to for assistance in evaluating the property in question. Sometimes such organizations turn to outside assistance when the property is located out of state, beyond the radius in which the real estate department is accustomed to operating.

These organizations, which are often engaged in campaign planning or the early stages of a campaign, often find it valuable to provide training to their development committee or campaign committee, sometimes with an aim of building an explicit real estate gifts strategy into the structure of the next campaign.

Some such organizations have found it helpful to have outside real estate gift counsel available to “coach” gift officers working with real estate gift prospects, or in some instances to meet with staff periodically to brainstorm specific emerging real estate gift situations.

Whatever the size of the development department, non-profits of all sorts are increasingly warming to the vast potential of real estate gifts, while taking the steps to assure that risks are identified and appropriately managed.