

Spend Your Time on the Right Real Estate Gift Prospects

By Dennis Bidwell

My last article – “Good Real Estate Gifts Happen with a Little Effort” – showed that an organization will greatly increase its opportunities to attract “good” real estate gifts if it invests in marketing its interest in real estate gifts and, better yet, if it initiates conversations with prospects who fit the profile of a likely real estate gift prospect. This graphic summarizes the evidence and the assertion:



Good real estate gifts rarely just show up at your door – though some often will. But, as marketing and targeted outreach efforts increase, more gift opportunities will increase, and a greater percentage of those opportunities will be “good” gifts.

But, some have told me: “We’re reluctant to market our interest in real estate gifts, because we don’t know what we do if we got a lot of inquiries. How would we manage them? How could we quickly tell which are the “bad” gifts to be avoided, and which are the “good” gift possibilities worth spending time on?”

I have two simple answers to these questions.

1) Revise your gift acceptance policies and procedures to address various types of real estate gift structures. Before you increase your marketing efforts, you need to know that everyone in your organization is on the same page regarding: whether you would or would not accept real estate to fund a Deferred Charitable Gift Annuity; under what circumstances you would trustee a real

estate-funded Charitable Remainder Trust from the outset; do you have a minimum age for considering Retained Life Estates; do you have an overall gift minimum for real estate gifts, and how is that minimum calculated?

You should also carefully use this opportunity to clarify, and very likely streamline, the matter of Who Does What: who gathers the initial information, who decides whether the gift has enough merit to warrant further investigations, who manages the due diligence process (and who pays for what in this process), who writes the gift acceptance letter that clearly outlines the gift structure and any conditions or contingencies, and who makes the final gift acceptance decision?

Time spent addressing these key questions – and drawing on emerging best practices in the real estate gift field nationally — is a very worthwhile step in preparing for a more robust level of real estate gift activity.

2) Adopt a two-step gift screening/due diligence process. Sometimes I observe an institution responding to an initial real estate gift inquiry by sending in the mail, or via email, a 15-page “Real Estate Questionnaire” accompanied by a request to provide deeds, mortgage discharges, title insurance documents, property tax bills, leases, etc. The institution then expresses surprise when they never hear back from the prospect, sometimes concluding that they weren’t really interested in giving away their property after all. I would respectfully suggest that there’s room for another explanation: Perhaps the questionnaire and document request were tremendously donor-unfriendly, and very understandably put-offish. Read more...

Here’s a proven and more donor-friendly way to handle the situation.

First, use a simple one page set of questions to gather, over the phone or on-site if possible, the essential pieces of information about the property and the prospect’s situation and objectives. (Contact me, and I’ll provide such a sample.) My experience is that, in most cases, a cordial 30- to 45-minute conversation can reveal sufficient information to know whether this is a gift that is worth pursuing further, i.e. a gift that likely meets the criteria in one’s gift acceptance policies. This basic information – combined with a little time on www.zillow.com and Google maps, and perhaps a quick call to a local broker or planning official – will generally point to a fairly clear decision – Yes, the gift has enough promise that we’ll dig in to a greater level of detail in a second phase of investigation, or No, thank you very much, but we need to decline your kind gift offer at this time (and spend our time instead on more promising gift situations). Second, assuming the individual or group entrusted (in your clear gift acceptance procedures) with making this preliminary decision decides to take the gift possibility to the next step, then a more rigorous information gathering and due

diligence phase kicks in. Even then, I would never suggest sending off the 15-page questionnaire. Rather, I would offer to walk through the questionnaire with them, gathering information, and going on a document hunt, in a friendly and collaborative manner.

As for due diligence, I would always start with finding a good local real estate attorney to order up a title search and pass along any obvious permitting or zoning challenges. (I've seen too many situations where, far along in the process, the donor remembers that cousin Sally owns a 1/8th interest.) I would always gather market opinions from trustworthy local realtors before commissioning my own appraisal. And, based on growing evidence from the field, the clear trend is for the institution to foot the bill for a Phase I environmental assessment (unless that requirement is waived altogether in certain routine residential situations) – assuming all other aspects of the gift are checking out – and to regard it as a legitimate cost of doing business. (I have seen nice real estate gifts go to another organization because the initial institution insisted it was “policy” to require the donor to pay the \$2,200 for an environmental assessment, even if the value of the gift was \$750,000!) So, I would suggest, if you invest a little up-front time in thinking through these policies and procedural and screening matters, and give some thought to who you will turn to if you need additional professional help, then you're ready to market your interest in real estate gifts and, even better, arrange conversations with the prospects who fit the profile of a promising real estate donor.

More about identifying the promising real estate gift prospect in my next article.