



**HOMES
JOBS
COMMUNITY**



Real Estate Gift Program

Does it make sense to donate or bargain sell property to the National Development Council?

NDC Background

- We are a nonprofit founded in 1969, with a mission to create economic opportunity, affordable housing and to strengthen communities in underserved areas across the United States.

When are donations/bargain sales the solution?

- An immediate all-cash sale at or near appraised value is unlikely
 - This may be due to any number of reasons such as : special use nature of the facility which ranges from rezoning to extensive renovation required; environmental issues; property has grown “ stale” due to lengthy exposure to the market; deteriorating neighborhoods etc.
- The cost and concerns of ownership are significant
- The property is carried on the books at a low book value or adjusted basis.
- The owner has taxable income or anticipates such income within the next five years.
- There is a concern for maintaining and improving the public relations climate with the community where the real estate is located and for restoring the lost employment and the economic viability of the site.

What are the benefits?

- Net-after- tax dollars benefits of the bargain sale or donation can exceed the financial results of a readily available all-cash sale.
 - Donations reduce taxable income on a dollar for dollar basis and eliminate or reduce capital gain tax consequence
 - Donations eliminate the uncertainty of seller financing and the risks of default, repossession and reacquisition of a damaged facility.
- Cash saving are immediate.
- Overhead costs are reduced to zero.
- Transaction can be tailor- made to accommodate the owner's need.
 - Examples include a short term or long term leaseback of all or a portion of the real estate, delayed or accelerated closing due to a tax consideration, retention of the ownership of the machinery and equipment, etc.
- Public relations are enhanced.

Why the National Development Council?

- NDC is Experienced
 - We have completed scores of real estate transactions with major corporations including R.J. Reynolds, Colgate-Palmolive, General Motors, Berkshire Hathaway and Sterling Winthrop
 - Property values have ranged from \$100,000 to over \$40 million
- NDC will consider all types of real estate including the most challenging.
 - We have received breweries, industrial buildings, shipyards, movie theatres, unimproved land, department stores, office buildings, warehouses, shopping centers, former power stations, residential buildings and textile mills.
- NDC is flexible and creative.
 - We do full or partial leasebacks, address environmental issues and structure partial or staged donations.
 - Every conveyance is different and we know how to complete the transaction so that the donor's goals are achieved.
- NDC's expertise in recycling properties is unsurpassed in the not-for-profit field.
 - This is a major focus of our charitable activities and we have worked in hundreds of cities across the country in acquiring and developing real estate and creating jobs.
- NDC understands that any corporate divestitures involve sensitive local issues.
 - We work with city, county and state organization to reconcile the many disparate viewpoints and form the appropriate partnership to complete the transactions.

What does NDC do with the property?

- NDC's interest is to develop the property in a manner that's consistent with our broad public purposes in the field of economic development.
- NDC is responsive to the needs of the community and strives to create working relationship with public and private entities to achieve the optimum outcome.
- The development process would be entrepreneurial and our goal is to generate income at some point in the future which will enlarge NDC's endowment

Bargain Sales Explained

- A corporate, partnership or individual owner sells a property to a charitable organization for a price that is less than the appraised fair market value.
 - The difference between the amount paid to the owner and the fair market value constitutes a charitable donation.
 - The capital gain tax on this amount is by-passed by the donation, and a charitable deduction is taken for the amount of the donation within the limits of charitable contributions for the taxpayer. The deductions may be carried forward for five years after the year of the transaction.
- The amount received by the owner, depending on the cost basis in the property, may result in a taxable capital gain. The cost basis is divided proportionately between the portion of the property that is sold and the portion that is donated.

Example Bargain Sale vs. Conventional Sale After tax analysis

- **Assumption**

Fair Market Value (FMV)	\$15,000,000
Basis	\$250,000
Allocated Basis*	\$108,300
Marginal Tax Rate (state and federal)	40%

Example Bargain Sale vs. Conventional Sale After tax analysis.. Continued

	BARGAIN SALE	CONVENTIONAL SALE
A. Cash Proceeds	\$6,500,000	\$7,500,000
B. Basis	\$108,300	\$250,000
C. Capital Gain (line A less line B)	\$6,391,700	\$7,250,000
D. Tax on Capital Gain (line C times 40%)	\$ 2,556,680	\$2,900,000
E. Tax Deduction (FMV less line A)	\$8,500,000	---
F. Tax Savings (line E times 40%)	\$3,400,000	---
G. Net After Tax (lines A+ F less D)	\$7,343,320	\$4,600,000

* **Allocated basis = Adjusted Basis x Bargain Sale Price/FMV**

Note -All assumptions relating to FMV are hypothetical and must be confirmed by competent appraisal. To simplify the exhibit, closing costs are omitted.

NDC at Work



From previous owners...

- “NDC is one of the leading not-for-profit organizations involved in recycling surplus property and we felt they were a very suitable resource for disposition of our property.” –Donald G. Haver, VP, R.J. Reynolds Tobacco Company
- “ We have completed two surplus property donations with the National Development Council. They are the best charity for this type of transactions. In both instances the properties were recycled and new jobs were created.”- Williams P. Monague, Executive VP, Mark IV Industries, INC.
- “Dennison completed a donation/leaseback with NDC on a 600,000SQ. FT. property in Framingham, Massachusetts. The NDC organization was highly professional in completing the transaction. We are pleased with the outcome and would consider additional transaction.”- John Rudisill, Director, Dennison Manufacturing Company

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