

REAL ESTATE

Keep It Or Trash It?

Two strategies for an old place you're shedding: Sell it to be torn down or preserve it and get a tax break | By Ashlea Ebeling

IT'S A TALE OF TWO SITES. BOTH OLD. BOTH IN NEED OF repair. The owners, set to unload them, had two ways to go. One wanted the most money possible and got it from a builder bent on tearing down the old domicile to erect something bigger and better. The second wanted to keep the place intact for posterity's sake, no matter who ended up owning it.

The first case: When Sherrill Crumbaugh's mother turned 81 and moved to a swanky retirement complex, Crumbaugh took on arranging the sale of the family home, a 100-year-old stucco American foursquare in Hinsdale, Ill. She figured she could get more selling it to a teardown-minded builder than to someone who wanted to live there.

But getting the right real estate broker for the job proved daunting. Brokers were leery about traffic from a new church parking lot across the street. One suggested listing it for \$1.2 million (minus a 5% cut). Then Crumbaugh tried dealing directly



SAVED. The Hodgson house in New Canaan, Conn., protected forever, is for sale as art, not as a McMansion site.

with a developer, who offered her \$1.25 million. Crumbaugh thought that was too low. Maybe, she figured, an auction among builders would work. But that would be a hassle and a half.

Then she heard about something called Xchange Properties, a Chicago brokerage that specializes in marketing teardown properties and charges sellers a 2% commission. Last summer it shot e-mails to targeted buyers from its private database, and within a week the house was sold to a builder for \$1.4 million. "It was a cool old house, if you're into old houses," Crumbaugh admits. "But I wasn't wedded to it."

The second case: In New Canaan, Conn. four children inherited a stunning (if somewhat worn) brick, steel and glass modernist house designed by Philip Johnson, the famous architect who died in 2005. They wanted to sell the 55-year-old home, where they'd grown up, yet a look around the neighborhood was disquieting. Other modernist homes had a way of changing hands and then disappearing to make way for larger homes. The Johnson-designed home sat on a precious 5-acre parcel in a ritzy part of town.

Their solution was to get what's called a conservation easement to save the house from a future owner's wrecking ball. "This was a decision to preserve what we view as a piece of art and an important part of our lives," says one of the children, Morgan Hodgson, an employment lawyer in Washington, D.C. "It's a



DEMOLISHED. A builder snapped up this American foursquare in Hinsdale, Ill.

great memory for us and a great tribute to our parents.”

The family donated the easement to the National Trust for Historic Preservation, which owns Johnson's famous Glass House estate across the street. The Trust will monitor any proposed changes to the house or landscape. A new owner can update the kitchen, but can't add an attached garage, for example.

Obviously, this strategy is best for people who don't care about making the biggest profit. The Hodgson children could get a substantial \$700,000 tax deduction for the easement donation. That's because the house is listed for \$4.3 million, and without the easement it could have been marketed for \$5 million as two building lots, a Realtor estimates. (An easement appraisal is pending.)

While it has no doubt eased a bit with the softening of the real estate market, the teardown craze was so hot in 2002 that the National Trust for Historic Preservation put "Teardowns in Historic Neighborhoods" on its list of America's 11 Most Endangered Historic Places. The report said Hinsdale was at the epicenter of the craze, having lost 20% of its houses in 15 years, half of them historic, and it decried the loss of classic modernist homes in New Canaan.

Well, sure, not every house is built by a famous architect or

properties. Owners of a La Jolla, Calif. home, circa 1935, just got their annual taxes reduced from \$32,000 to \$7,200 when they signed a ten-year renewable preservation contract with the city.

On the other hand, let's say you want to get rid of the house. Call your home builders association and ask if any brokers specialize in teardowns. Xchange Properties, which sold the Hinsdale house, has offices in Chicago; Westport, Conn.; Rancho Santa Fe, Calif.; and Annapolis, Md. A competitor in Chicago is Valueinland.com, a Web site where sellers can list for free and buyers, usually builders, pay the 1%-to-3% commission.

Take a field trip to your town's planning and zoning office and confirm for yourself what is your property's highest use—that is, what is the most that can be built on it. Don't count on a broker to get this information. When Gandhi Ireifej interviewed brokers to list his family's 2,200-square-foot ranch in Greenwich, Conn., they said they'd list it at \$1.3 million, after he fixed basement water problems and a fractured concrete walk as well as repainted a bedroom where the roof leaked.

Yet Ireifej had done the buyer a favor by getting planning and

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reeks of history. Customarily your building must be more than 50 years old and listed on the National Register of Historic Places to qualify for a federal tax break on an easement donation. State and local preservation organizations, including community land trusts, hold easements on thousands of houses. Many of these aren't significant on their own but are inside a historic district.

Warning: Congress is investigating easement promoters who use inflated appraisals to value a tax deduction, so make sure your donation would withstand Internal Revenue Service scrutiny. "People have to be careful about trying to take a deduction without a good, strong appraisal that supports it," says Thompson Mayes, deputy general counsel at the National Trust.

Other tax gimmies may help the case for selling your house as a keeper. Most states offer generous personal income tax credits for rehab work on historic homes. North Carolina's credit equals 30% of the cost of the rehab work, with no cap. Regional preservation groups like Chicago's Bungalow Initiative offer special mortgages, saving homeowners 20% of their annual mortgage interest for the life of the loan, and rehab grants up to \$5,000.

Some cities even offer property-tax abatements for historic



PENDING DEMOLITION. This 1959 Bryn Mawr, Pa. split-level was the first on its block to go.

zoning approval for an 8,800-square-foot replacement house. Xchange Properties saw that permit as an asset and sold his property for \$1,775,000 in February to a builder.

Finally, don't jump to the conclusion that your house is—or isn't—a teardown. If there have been no other teardowns in your neighborhood, gauging your home's potential may be tricky. You might find out that it's a teardown only after the fact.

That's what happened to Kenneth LeFevre, a giftware executive, who listed a split-level his parents built in Bryn Mawr, Pa. in 1959 with Prudential Fox and Roach (with a 6% cut—ouch). The home needed a lot of work, which he wasn't eager to pay for. "Nobody thought of a developer," he says, but that's who bit just a few days after LeFevre listed it in March. The builder paid \$650,000 cash, close to the asking price—no inspection, no repairs. He bought the house next door and is putting up two new \$1.7 million houses.

LeFevre was happy to be rid of the property and get the deal done fast. His advice to other owners of tired houses: Find a Realtor to market the house as a teardown for a reduced commission. If that fails, kick back and relax when a builder bites.