

DONATION CASE STUDY MANUFACTURING FACILITY

The attached is a case study of facility where the disposition strategy was structured as a donation to a charitable 501(c)(3) corporation.

- Building Description:** Property contained three main buildings consisting of approximately 103,000-sq. ft., situated on approximately 47 acres of land.
- Building Condition:** The facility has been vacant for several years, but the company did maintain 24-hour onsite security service. Over the years, the property did become outdated and economically obsolete. To update the facility, the current owner would have had to spend additional funds. It was anticipated a new owner could facilitate the needed improvements.
- Location:** Southeastern United States. General location of the facility is within an industrial and light manufacturing area. Site has easy access to rail and highway transportation.
- Age:** Approximately 30 – 35 years old.
- Ownership:** Major United States Manufacturer.
- Reason for Vacating:** Manufacturing line did not fit into company long-term business plan. Therefore, the company discontinued this manufacturing line.
- Projected Marketing Time:** The corporation had anticipated an additional marketing time of 30 – 36 months.
- Annual Holding Costs:** To maintain the facility the company was paying in excess of \$100,000 per year, not including internal management time.
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Donation Value: \$2,250,000 based on appraisal

Sale Value by the Charity: \$600,000 within ninety days

The donation transaction was audited by the IRS and no adjustment was made to the corporations claim for deduction.

TYPICAL CORPORATE BENEFITS WHEN USING CHARITABLE TRANSACTIONS

- ♣ PUTS AN END TO THE COSTS AND RISKS OF OWNERSHIP.**
- ♣ THE TRANSACTION CAN TAKE PLACE QUICKLY.**
- ♣ IT CREATES A TAX DEDUCTION EQUAL TO THE FAIR MARKET VALUE OF THE REAL ESTATE.**
- ♣ CAN CREATE MORE AFTER-TAX DOLLARS THAN THE HARD TO ACHIEVE CONVENTIONAL SALE.**
- ♣ THE PROPERTY CAN BE RECYCLED QUICKLY, WHICH IMPROVES PUBLIC RELATIONS.**
- ♣ ALLOWS BETTER ALLOCATION OF RESOURCES.**
- ♣ TYPICALLY THERE IS NO CAPITAL GAIN TAX WITH THE DONATION.**

TYPICAL CIRCUMSTANCES WHERE CHARITABLE TRANSACTIONS OUTPERFORM CONVENTIONAL SALES

- ♣ FAIR MARKET VALUE AS ESTABLISHED BY AN APPRAISAL EXCEEDS THE MOST LIKELY, READILY AVAILABLE.**
- ♣ ALL-CASH SALE OR OFFER.**
- ♣ THE SELLER HAS EXPOSED, TAXABLE INCOME.**
- ♣ NON PERFORMING REAL ESTATE DUE TO A WEAK ECONOMY OR STRICTER ENVIRONMENTAL REGULATIONS.**
- ♣ NON PERFORMING REAL ESTATE DUE TO SPECIAL USE,**
- ♣ LIMITATIONS, MARGINAL LOCATIONS OR DETERIORATING STRUCTURES.**
- ♣ NEED QUICK DISPOSITION TO BETTER ALLOCATE CORPORATE RESOURCES.**
- ♣ LIKES THE PUBLIC PURPOSE OF THE CHARITY.**

TYPICAL QUESTIONS

- ♣ DOES THE 501(C)(3) HAVE TO HOLD THE DONATED PROPERTY FOR ANY PERIOD OF TIME?
- ♣ WILL THE CHARITIES RESALE EFFECT MY APPRAISAL?
- ♣ WHAT KIND OF APPRAISAL WILL I NEED AND CAN THE 501(C)(3) ASSIST ME WITH THAT NEED?
- ♣ WHAT HAPPENS IF I CAN NOT USE THE ENTIRE DEDUCTION THE FIRST YEAR?
- ♣ HOW LONG WILL IT TAKE FOR THE ENTIRE TRANSACTION?
- ♣ WHAT ABOUT ENVIRONMENTAL ISSUES?
- ♣ ARE THERE ANY SPECIAL FEES ASSOCIATED WITH DONATING PROPERTY TO A 501(C)(3)?
