

BUSINESS PROFILE: Kern Real Estate Foundation

Donors convert real estate into charitable contribution



Jeff Pickering

Jeffrey R. Pickering is president and CEO of the Kern Community Foundation. He is also the president of the Kern Real Estate Foundation. He has 18 years of experience in leadership roles as a fundraiser, nonprofit

administrator and grantmaker, including four years as vice president of philanthropic services at the Community Foundation of Central Florida. He recently responded to the Kern Business Journal's questions about the Kern Real Estate Foundation.

What is the Kern Real Estate Foundation?

Kern Real Estate Foundation (KREF) was established in 2012 as a subsidiary of Kern Community Foundation. The organization's purpose is to facilitate the sale of donated real estate in order to pass the net proceeds of the sale onto a donor's fund, which then makes grants to benefit the charitable causes they care about.

While real estate comprises between 40-50 percent of the total U.S. net worth, only 2 percent of the gifts given to charities is made in the form of real estate. Most local charities are desperate for unrestricted capital, but reluctant to accept land and real estate because of the legal complexities and risks involved. KREF exists to fill this need.

What is its relationship to the Kern Community Foundation?

Kern Real Estate Foundation is a "public type 1 supporting organization" of Kern Community Foundation, with its own 501(c)(3) designation from the IRS. The organization exists to support Kern Community Foundation's charitable mission of growing community and growing philanthropy. Its board of directors is appointed by Kern Community Foundation.

How does the Kern Real Estate Foundation work?

A donor obtains a qualified appraisal and makes an irrevocable gift of real property to Kern Real Estate Foundation. Following a site inspection and an environmental review, KREF accepts the gift of real property and substantiates the contribution with a tax receipt for the appraised value of the property. KREF sells the property and deposits the net proceeds from the sale into a donor's fund at Kern Community Foundation. A donor can begin making grants from the fund to support any public charity in the United States. A donor may also create a permanent fund to benefit any public charity in the United States forever.

From a donor's standpoint, what is the major advantage of donating real estate to the foundation?

Donors who give real estate "unlock" the potential of an "illiquid asset" to support their favorite charitable causes. As a public charity, gifts of real estate to KREF provide donors with the maximum tax benefit provided by law. Gifts of real estate reduce or eliminate long-term capital gains taxes, limit or eliminate future estate taxes and in some cases can be used to generate life income.



The Bakersfield Californian

Oil-producing and agriculture land are among the Kern County real estate donated to the Kern Real Estate Foundation.

What other benefits are available?

Other benefits for donors who give real estate to establish a fund at Kern Community Foundation include professional assistance developing a charitable giving plan for the donor or their business, online access to fund information, access to Kern Community Foundation's online Nonprofit Search, ability to purchase charitable Giving Cards directly from a fund, and exclusive social and education events.

Please give an example of a recent donation of real estate to the foundation.

In 2012, Marvin and Nadene Steinert made a charitable gift of real estate. The property was an income-producing commercial building, with two tenants located in northeast Bakersfield, with an appraised value of more than \$1.2 million. The property was sold and net proceeds of more than \$1 million were deposited into the Marvin Steinert Family Charitable Fund. Grants are now being made to the charitable organizations that are important to the Steinert Family. Recent grantees include CSUB Foundation, Bakersfield Music Theatre, The Mission at Kern County, Youth for Christ, Salvation Army and Teen Challenge.

Is there a specific type of real estate that is most suitable for being donated?

Examples of real estate that donors may want to consider giving include:

- A commercial building
- A house or condominium
- Farmland or undeveloped land
- An apartment building
- A vacation home

Will the Kern Real Estate Foundation accept any and all donations of property?

Donors who are interested in making a gift of real estate begin the process by completing a simple real property inquiry questionnaire. The Kern Real Estate Foundation will quickly evaluate the property to determine if the process can continue. In most cases, KREF requires gifts of real estate to be



Photo courtesy of the Kern Community Foundation

Marvin and Nadene Steinert of Bakersfield donated commercial property through the Kern Real Estate Foundation.



free and clear of any debt or lien. The property must also be marketable and have value in relation to the costs of holding, marketing and selling the property.

Is this type of donation more suitable to large donors?

Each potential gift of real estate is unique. Kern Real Estate Foundation encourages corporations and individual donors to consult

with a tax advisor about the benefits and/or limitations of making a gift of real estate.

How would donating real estate benefit small businesses and/or individuals?

Here is a typical case: A married couple in their late 70s live in Bakersfield and own condominiums in Santa Barbara and Lake Tahoe. The couple no longer snow skis and is interested in spending more time at the beach. The couple has also been talking about making a charitable contribution to create a legacy for the benefit of the local symphony orchestra. With help from their financial advisor, the couple contacts Kern Real Estate Foundation with the intent of gifting their Lake Tahoe condominium. They make the gift of real estate, the condo is sold and the net proceeds of \$400,000 are deposited into a fund at Kern Community Foundation in their family name. Each year, a distribution of 5 percent of the fund's value will be made from the fund to the symphony orchestra in perpetuity. In doing this, they have avoided a capital gains tax otherwise due from the sale of the property, removed a \$400,000 asset from their taxable estate and avoided the burden of selling the property.

Taft: Westside oil town getting 'new life'

By Craig Jones

Taft is situated in California's major petroleum and natural gas production region. The discovery of oil in the region occurred in the late 19th century, near Maricopa, seven miles south of Taft. Many other oil and gas accumulations were discovered around Taft during the early-to-mid-20th century, notably the Midway Sunset and Buena Vista fields.

The town is built directly between these two huge fields. The operational activities within these fields have been the economic life blood of the town and are still going strong for over 100 years.

Land surrounding Taft was recently sold to individual investors by local oil companies, which opened up opportunity for new development and growth in the once land-locked city. This break has cleared the way to build a new industrial complex and planned residential housing near the drilling activity taking place on the west side of Kern County.

The new Westside Industrial Park on the east side of town boasts such street names as Black Gold Court. It has 10 new businesses already operating and two more in the permitting phase. The industrial park's tenants are mainly oil and gas-related services, which generally have well-paid jobs. The complex also houses

an alternative fuel algae research center.

The city has taken great steps to focus on economic development with pre-zoned land, streamlined permitting processes and development incentives. Taft's business-friendly attitude is beginning to pay off with the help of the recovering local economy.

The city is also striving to revitalize its historic downtown, which was built in the early 1900s during the original oil boom. The city's downtown businesses cater to the needs of Taft's population, including its strong transient oil worker population.

The need for additional housing in Taft must be addressed. Many workers who commute daily to the oil fields would likely move to Taft if suitable housing were available. A local housing developer has started a 350-plus lot housing tract bordering Taft's western edge, which is about to start construction.

The city also owns more than 46 acres, which is under a development agreement with Coats Consulting. A 60-room major chain hotel has been attracted to the project. Quality restaurants are expected to sign letters of interest to build adjacent to the new hotel. The city Planning Department has seen an increase in developer requests, as well as inquires.

Craig Jones is the Taft city manager.



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-Jeffrey R. Pickering

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