

## The Property Problem

### **Confidential Facts: East Virginia Department of Historic Resources Board**

The DHR Board asked you to negotiate an agreement for the historic preservation easement on the Samuel Hamilton Estate ("Hamilton Estate"). Their primary objective is getting this property on the Register. Hoping to incentivize historic tourism in East Virginia, the Governor just called the DHR commissioner aiming to also get the following properties on the list:

- The Alexander Adams House
- The Jefferson Franklin House
- The Madison Monroe House
- The Samuel Hamilton House

The Governor tasked the DHR with successfully procuring all four properties for the Register. The DHR has great faith in your negotiating ability and set up a meeting for you to negotiate the historic preservation easement of the Samuel Hamilton Estate with Mark Williams, the owner of the property. Acquiring the Hamilton Estate is DHR's top priority. Unfortunately, the owners of the Adams, Franklin, and Monroe Houses have refused to meet with DHR representatives. The DHR hopes that a historic preservation easement on the Hamilton Estate will encourage – or at least place some pressure on – the three other homeowners to agree to the terms necessary to place their houses on the Register.

As this is the first negotiation of a historic preservation easement under the new statute, Mark Williams must agree to confidentiality regarding the terms of any offers made by the DHR in this negotiation, as well as the final terms of the agreement.

Williams must agree to the following limitations on any future changes that he – or any subsequent property owner – might make:

- **Exterior Color:** Historians with the DHR have identified a color palette of ten colors traditionally used by homeowners in the 1750s to paint the exteriors of their homes. These include a Prussian blue, a deep red, a stark white, three shades of an earthy brown, two shades of yellow, a bright orange, and a bright blue. The DHR hopes to limit the color of Hamilton Estate to those ten colors. Williams painted the Hamilton Estate a marigold yellow, quite similar to an already-approved shade of yellow. If it must, DHR will allow the current color to remain, but Williams will be required to use an approved color when he repaints the house in the future. The DHR will allow Williams to use modern paints, as long as he uses one of the ten approved colors.
- **Materials:** Only period-appropriate materials will be allowed on the exterior of the house, which includes brick, clay, wood, stone, ferrous metals (iron and steel), and glass.
- **Alterations:** The DHR must approve any future alterations to the exterior of the home. The Board understands that Williams currently has a wooden accessibility

ramp in the back of the home. The Board has already approved the ramp and will not require Williams to remove it.

- **Landscaping:** Historians at the DHR recently discovered Samuel Hamilton's original landscape drawings for the property. The plans show that the boxwood trees currently planted along the border of the property originally lined the path to the front door. These boxwoods have incredible historical and financial value. The DHR would like to replant the current boxwoods to line the path to the Hamilton Estate's front door, as laid out in the original 1754 plans and use the remaining boxwoods as a bargaining chip in negotiations with the owners of the other three homes.

The DHR knows that a potential buyer, Johnny Smurkus, made an offer on the Hamilton Estate. Due to a unique quirk in the municipal zoning laws, the Hamilton Estate may be zoned for both residential and commercial purposes. Smurkus could tear down the house and build shops on it. The DHR worries that Smurkus anticipates the value of being the only commercial property within a mile, neatly situated in the middle neighborhood filled with historic houses that tourists will frequent. The DHR will only agree to the terms of an easement that limits the alienation of the property and requires any new owner to comply with the historic preservation easement. While the DHR is willing to be flexible with these terms, it would prefer that any buyer must have high credit, put 20% down on the purchase of the property, and be willing to undertake the responsibility of adhering to the historic preservation easement.

In exchange for Williams agreeing to the aforementioned terms, the DHR is willing to offer him the following incentives:

- **Lower property tax rates:** There is no standard lower "historic property tax" rate in East Virginia. DHR only can work with each county to arrange a lower assessed value. The Board has given you permission to promise that the Williams' County property tax will be lowered by up to \$2,000 a year. The DHR has more leverage with the State and has already arranged to cancel Williams' state taxes.
- **Subsidizing costs:** The DHR may supplement labor costs for any work done on the property (either restorative or those related to maintenance). It can afford to pay up to \$4,000 per year for the homeowner to use at their discretion. It also authorized a one-time payment of up to \$25,000 to cover a major expense.
- **Inclusion on the Greater Atlantic Historical Register ("GAHR"):** Inclusion on the GAHR brings a host of benefits to the homeowner, including additional funding (\$10,000 a year), official signage placed in front of the house, and inclusion of the home in the yearly GAHR publication: *Historic Homes of the Virginias*. The DHR may choose five houses to be automatically included on the GAHR. After those five houses, any additional houses must go through a lengthy and expensive application process. The DHR would prefer to keep inclusion on the GAHR as an incentive for less-willing homeowners, but it can be offered to Williams as a last option to get his agreement.

As a State administrative body, the DHR must be careful with its finances and wants you to negotiate the best deal possible for the State. The DHR is not planning on offering any other homeowner as much money as it will offer Williams, so any deal must come with a nondisclosure agreement.