

106 SUCCESS STORY

Redstone Castle: How an IRS Tax Seizure Became a Preservation Success Redstone, Colorado

“The 1902 castle and estate, also called Cleveholm Manor, represents a time in American history when empires were built during a nationwide drive toward industrialization.”

— COLORADO PRESERVATION, INC.



THE STORY

In the 1890s, John C. Osgood formed the Colorado Fuel & Iron Company and established a remarkably progressive company town called Redstone in Pitkin County, Colorado. For his workers, Osgood built more than 80 family cottages, all featuring electricity and up-to-date plumbing. He also provided a school, library, theater, a 40-room inn, club house, and modern bathhouse. For his wife and himself, Osgood built an opulent residence, the 42-room Cleveholm Manor, better known as Redstone Castle, situated on a 72-acre complex complete with greenhouse, servants' quarters, carriage house, and gamekeeper's lodge. Both the residence and the gamekeeper's lodge are individually listed in the National Register of Historic Places and are part of the larger Redstone National Register historic district.

THE PROJECT

In 2000, Redstone Castle became the property of a partnership involved in questionable business practices, and seven members of the partnership subsequently were indicted as a result of an investigation into a \$56 million illegal investment scheme. The Internal Revenue Service (IRS) then seized Redstone Castle, its outbuildings, and 150 surrounding acres in 2003. The property was to be sold at auction by the IRS. The mansion itself was remarkably intact and retained 75 percent of its original furnishings from the Osgood era. The town of Redstone, though small by population, is a National Register-listed historic district and a Preserve America Community, and its economic vitality is largely based on tourism. Redstone Castle has been a key attraction as a unique window into the historic period and, as such, treasured by the community. Preservationists and citizens were greatly concerned about its fate, fearful that the IRS would dispose of the property without regard to its exceptional historic and community value.

Photos: Above, Redstone Castle; Right, Interior shots of the grand living room, dining room, and library

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Photos: Left, Redstone Inn; Right: Redstone Castle court



THE 106 PROCESS

Responding to the concerns voiced by citizens and preservation agencies, the IRS acknowledged that the sale of the seized property could result in adverse effects to it and initiated the Section 106 process of the National Historic Preservation Act. Section 106 requires that federal agencies identify historic properties and assess the effects of the projects they carry out, fund, or permit on such properties. Federal agencies also are required to consult with parties that have an interest in the fate of the property when adverse effects are likely to ensue. An early hurdle for the process was an assertion by the Securities and Exchange Commission (SEC)—which had filed its own legal proceedings to recover the fraudulently obtained funds—that Section 106 would not apply if SEC’s legal action took precedence over the IRS. After resolving this, the IRS worked with the Advisory Council on Historic Preservation, the Colorado State Historic Preservation Officer, and other consulting parties to create a Memorandum of Agreement (MOA) that allowed the sale of the property with a preservation easement that ensured the long-term preservation of Redstone Castle. The easement extended protection to the exterior of the building, significant interior spaces, and a large portion of the historic grounds. The property was subsequently auctioned in March 2005 and the easement granted to the Colorado Historic Foundation.

THE SUCCESS

Redstone Castle was purchased at auction from the IRS for \$4 million by a California resident who is refurbishing it for eventual commercial use as a spa, upscale lodging, and special events venue. Meantime, area residents and visitors can tour the historic structure and view its 15 bedrooms, 14 fireplaces, and authentic period furnishings that recall when guests such as John D. Rockefeller, J. Pierpont Morgan, and Teddy Roosevelt enjoyed the setting along the Crystal River a century ago. Thanks to the conditions that the IRS placed on the sale which were developed in the Section 106 process, Redstone Castle will retain its historic character for years to come and benefit the Redstone community and the nation.

ADVISORY COUNCIL ON HISTORIC PRESERVATION

1100 Pennsylvania Avenue NW, Suite 803, Washington DC 20004
 Phone: 202-606-8503 • Fax: 202-606-8647 • achp@achp.gov • www.achp.gov

Consulting Parties:

IRS
 ACHP
 National Trust for Historic Preservation
 Redstone Historical Society
 Pitkin County Commission
 Colorado Preservation, Inc.
 Colorado Historic Foundation
 Colorado Historical Society (State Historic Preservation Office)

For more about Section 106 and the ACHP go to www.achp.gov



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