



# CONSERVING LAND

with Central Colorado Conservancy

---

an introduction to conservation easements on private land



CENTRAL COLORADO  
CONSERVANCY

Protecting the Lands and Waters that Sustain Us

---

# ABOUT CENTRAL COLORADO CONSERVANCY

Central Colorado Conservancy is a nonprofit land trust that works with landowners to voluntarily conserve agricultural and open lands. Our service area includes Chaffee, Lake, Fremont, Saguache, Park and Gunnison counties.

## Our Mission

is to protect the lands, waters and quality of life of Central Colorado as our communities face pressure and rapid growth.

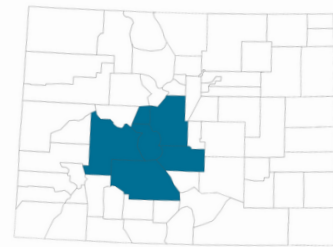
## Our Vision

is a Central Colorado supported by thriving communities that have safeguarded their rural character, lands, waters and wildlife.

Central Colorado Conservancy was established in 2001 as a charitable entity under the laws of the U.S. and Colorado. The organization is nationally accredited by the Land Trust Alliance and certified by the State of Colorado to hold conservation easements.

Our conservation priorities include

- Wildlife habitat
- Agricultural productivity
- Scenic enjoyment
- Public recreation (only in some instances, not required)



Central Colorado Conservancy protects land for the benefit of our natural resources and local communities that enjoy and rely upon them.

In the first 20 years, we:

protected 13.2  
miles of waterway

conserved  
5,909 acres

protected  
45 properties



[www.CentralColoradoConservancy.org](http://www.CentralColoradoConservancy.org)  
[info@CentralColoradoConservancy.org](mailto:info@CentralColoradoConservancy.org)  
719-539-7700



# CONSERVATION EASEMENTS

A conservation easement is a voluntary legal agreement between a landowner and a land trust that identifies the conservation values of a property and protects them through permanent restrictions on development or land use.

Conservation easements can be thought of as both a real estate transaction and a perpetual legal agreement. They are tailored specifically to individual landowners, their priorities and the conservation values on the property. Conservation values include: natural habitat, open space, agricultural land, historical sites and public benefit.

Typical restrictions include

- No subdivision
- Limit building development
- No mining activities
- Continued historic use of water rights on property

A conservation easement allows landowners to continue to own and use their property.

The Conservancy is not involved in the day-to-day management and functions only as a partner for landowners to manage their property in accordance with their priorities and conservation values on the land. The Conservancy is responsible for making sure the easement's terms are followed forever by conducting annual on-the-ground or remote monitoring.

**Conservation easements do not allow public access to the land, unless landowners want to allow access.**

In fact, the majority of the easements we hold do not allow public access, which is often important to protect the conservation values, the viability of an operation on the property and/or landowners' priorities.

Landowners can sell their property or pass it on to their heirs, and the conservation easement will continue to bind all future owners within the restrictions.



## Why might a landowner consider a conservation easement?

People put their land under conservation easement for a variety of reasons. For many, it is their emotional connection to the land and their desire to protect what is special about it forever. It may also be to preserve the character of the area for the benefit of future generations. Financial benefits to land protection may also play a role.

# BENEFITS & COSTS OF PROTECTING THE LAND

In addition to protecting the land forever, a conservation easement can also provide a financial benefit for landowners.

The conveyance of a conservation easement can qualify the landowner for Colorado state tax credits and a federal tax deduction, if it meets strict state and federal tax code requirements. A conservation easement can also reduce the value of land upon which estate taxes are calculated, which may ease the tax burden on any heirs.

**The value of an easement is usually donated by the landowner.**

## What is the value of a conservation easement?

Financial benefits are based on the appraised value of the conservation easement, which is the difference between the determined market value of the property with no easement restrictions and the value of the property with easement restrictions. These values are determined by a qualified appraiser.

The Colorado tax credit is up to 90% of the appraised value of the donated conservation easement, up to a maximum credit of \$5,000,000. The landowner may choose to use these credits towards their own state taxes or to sell them through a qualified tax credit broker for around 83-85% of their value. The remaining 10% value of the donated easement may then be eligible for a federal charitable deduction. (See an example on the following page.)



## Example Benefits of a Donated Conservation Easement

Landowner John Brown's conservation easement was valued at \$500,000 by a certified appraiser (the market value of his property without easement restrictions minus the value with restrictions).

As a Colorado taxpayer, his donation qualified for a Colorado state income tax credit of 90% of the value of the easement. In this example, Brown chose to sell the credits, the profit from which is subject to income tax.

Brown's conservation easement donation then qualified for federal charitable deduction of the donated value of the easement minus the value of the state tax credit.

### Donated Easement Value ————— \$500,000

|                                      |                       |           |
|--------------------------------------|-----------------------|-----------|
| State tax credit                     | 90% of \$500,000      | \$450,000 |
| State tax credit sale                | 83% of \$450,000      | \$373,500 |
| Transaction costs, see pg 6          | \$373,500 - \$70,000  | \$303,500 |
| Net cash to landowner (before taxes) |                       | \$303,500 |
|                                      |                       |           |
| Federal tax benefits                 | \$500,000 - \$450,000 | \$50,000  |
| Possible federal tax deduction       |                       | \$50,000  |

In total, Brown donated a conservation easement valued at \$500,000, sold his Colorado state tax credits for \$373,500 and then qualified for an additional \$50,000 in federal tax deductions.

*Landowners should consult qualified legal and financial advisors familiar with their particular circumstances when considering a conservation easement on their property.*

The Conservancy may be able to raise funds through grant programs to **pay landowners for a portion of the value of conservation easement** for priority properties. If so, the landowner may then be eligible for tax benefits based only on the remaining donated value of the conservation easement. Fundraising significantly lengthens the amount of time needed to complete the easement. Funding programs may not be appropriate for all projects and are highly competitive.



Arkansas River Community Preserve

## Estimated Transaction Costs for Landowners Completing a Conservation Easement

|   |       |                             |
|---|-------|-----------------------------|
| Central Colorado Conservancy project coordination fee | ——    | \$7,500 to \$10,000         |
| Qualified conservation easement appraisal             | ————— | \$15,000 to \$30,000        |
| Baseline report                                       | ————— | \$3,500 to \$5,000          |
| Mineral report  | ————— | \$2,500 to \$3,500          |
| Title insurance policy                                | ————— | \$1,500 to \$5,000          |
| Closing and recording costs                           | ————— | \$250 to \$500              |
| Central Colorado Conservancy legal costs              | ————— | up to \$10,000              |
| Stewardship endowment                                 | ————— | \$15,000 to \$25,000        |
| Colorado tax credit application fee                   | ————— | \$2,900                     |
| <b>Total estimated costs</b>                          | ————— | <b>\$60,000 to \$70,000</b> |

*Does not include landowners' personal legal and financial advisor fees.*

In some cases, the Conservancy may be able to raise funds through grant programs to **partially or fully pay the transaction costs** for a donated conservation easement. Fundraising significantly lengthens the amount of time needed to complete the easement. Funding programs may not be appropriate for all projects and are highly competitive.

# COMPLETING A CONSERVATION EASEMENT

It typically takes 12 to 18 months to complete a donated conservation easement or two to three years to complete a partially funded conservation easement. The Conservancy works with landowners and any other partners to facilitate the process.

- 1 Discuss the Potential Conservation Easement
- 2 Agree to the Easement Project
- 3 Prepare the Conservation Easement
- 4 Determine the Approximate Value of the Conservation Easement
- 5 Gather the Required Documentation
- 6 Accept the Conservation Easement
- 7 Close and Record
- 8 Steward the Conservation Easement

*Arrowpoint Ranch*



# 1

## Discuss the Potential Conservation Easement

1 2 3 4 5 6 7 8

Meet with Conservancy staff to discuss the property, the landowner's vision for the future of their land and conservation easements in general. The landowner should talk with their family, legal counsel and financial advisor about conservation easements and working with the Conservancy.

Conservancy staff visits the land and talks with the landowner about how the property may or may not meet the Conservancy's conservation priorities and the legal criteria for conservation easements. The easement must protect recognized conservation values including wildlife habitat, scenic open space and/or agricultural productivity.

**This is a mutual process, where both landowner and the Conservancy determine if the priorities and goals are complementary and requirements are met to establish an easement on the land.**

# 2

## Agree to the Easement Project

1 2 3 4 5 6 7 8

Members of the Conservancy's staff and Board of Directors complete a site visit to the property. Information from this visit, in conjunction with a staff recommendation on the potential conservation easement on the land, are used for the **board decision** on whether or not to move forward with the easement project.

If both the landowner and the Conservancy agree to move forward, the landowner signs the Conservancy's **letter of intent** and pays the first \$1,500 of the non-refundable project coordination fee. Conservancy staff then help the landowner work through the process and due diligence of completing a conservation easement tailored to the property.

**Completing a conservation easement can take 12 to 18 months.**

**Some of the steps may happen concurrently.**







Ruby Mountain Ranch

“[This] is a special place and we are pleased to be able to protect a small piece of it from future development. We are also proud to partner with Central Colorado Conservancy. It’s a great organization doing important work.”  
  
-Trey Rogers, Ruby Mountain Ranch

### 3



## Prepare the Conservation Easement

- 1 - 2 - 3 - 4 - 5 - 6 - 7 - 8

Conservancy staff works with the landowner to **draft a conservation easement** tailored to the landowner’s wishes for the property. This legal agreement between the landowner and the Conservancy describes all of the permitted and prohibited uses of the land under easement, as well as the process and remedies for any future violations of the agreement.

The landowner should review the draft with their attorney and allow plenty of time to discuss any possible changes with Conservancy staff.

### 4



## Determine the Approximate Value of the Conservation Easement

- 1 - 2 - 3 - 4 - 5 - 6 - 7 - 8

A **qualified appraisal** establishes the monetary value of the conservation easement, which determines the value eligible for Colorado state income tax credit and federal tax deductions. The appraisal must be completed by an appraiser who is qualified to prepare easement appraisals and uses Uniform Standards of Professional Appraisal Practice.

# 5

## Gather the Required Documentation

1 — 2 — 3 — 4 — 5 — 6 — 7 — 8

A lot goes into establishing an easement, and Conservancy staff assists the landowner on understanding the steps for due diligence along with their attorney and accountant. **Documents needed may include:**

### Baseline report

This report includes an inventory and description of the values and biological resources that justifies conservation of the property and characteristics, current use and improvements on the property. The report serves two purposes: first, to fulfill an IRS requirement to document the physical and environmental condition of the property at the time of easement conveyance; and second, as a benchmark against which any future violations of the easement terms are measured.

### Title commitment & insurance policy

The title commitment will identify any known exceptions to the title, including any liens, access easements, severed mineral rights or other conditions. The Conservancy also requires a title insurance policy to protect the Conservancy from losses due to any unrecorded defects in the title or mistakes in the title commitment.

### Survey

If the title indicates any unknowns about the legal boundaries of the property, a survey may be necessary.

### Mortgage subordination agreement

If a mortgage exists on the property, the subordination document states that the bank accepts that the mortgage is junior in priority to the conservation easement.

### Mineral report

If the landowner does not own all of the mineral rights on or under the property, the IRS requires that a mineral remoteness letter be prepared, which indicates that the probability of extraction or removal of minerals from the property by surface mining is “so remote as to be negligible.”

Every conservation easement is unique and tailored to each property and landowner's needs.

The easement is mutually developed between the Conservancy, the landowner and their advisors.



# 6

## Accept the Conservation Easement

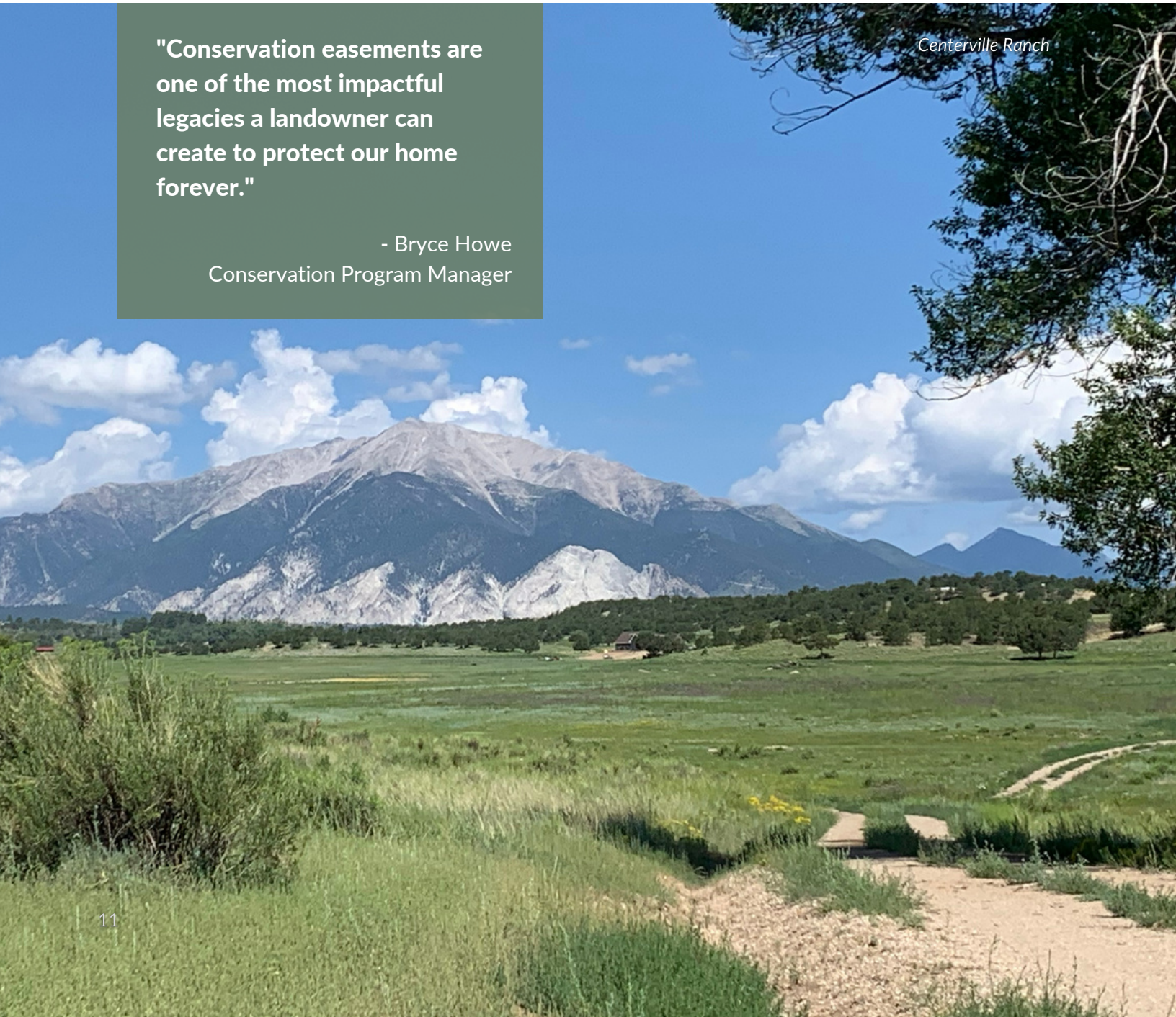
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8

A copy of the entire package of the deed of conservation easement, appraisal, reports and other documentation is submitted to the Conservancy's Board of Directors for final acceptance. The **board votes for final acceptance** of the conservation easement at this time. If the deed of easement has already been agreed to and the accompanying documentation is present, acceptance should be assured.

"Conservation easements are one of the most impactful legacies a landowner can create to protect our home forever."

- Bryce Howe  
Conservation Program Manager

Centerville Ranch



# 7

## Close and Record

1 — 2 — 3 — 4 — 5 — 6 — 7 — 8

The landowner and the Conservancy **sign the deed of conservation easement**. The deed is recorded with the county clerk and both the Conservancy and the landowner retain a copy.

The landowner then works with their appraiser and accountant to complete all necessary IRS and Colorado Department of Revenue forms. Finally, the landowner can work with their tax credit broker to sell their credits if desired.


# 8

## Steward the Conservation Easement

1 — 2 — 3 — 4 — 5 — 6 — 7 — 8

Landowners continue to use their property within the terms outlined in the conservation easement. Each year, the Conservancy will **monitor the property** to make sure that the terms of the conservation easement are being upheld. The Conservancy contacts the landowner before entering or remotely monitoring the property.

Landowners should contact the Conservancy if they have questions regarding the conservation easement or are concerned about a possible violation. The Conservancy also defends the conservation easement should it ever be challenged by outside entities aiming to reduce or remove the protections on the property.



This process takes time and effort, but dedicated landowners can join thousands of others across Colorado in protecting our lands and waters forever.

This is a great gift to future generations.

Thank you for your interest in  
protecting the lands and  
waters of Central Colorado.



**CENTRAL COLORADO  
CONSERVANCY**

Protecting the Lands and Waters that Sustain Us

[www.CentralColoradoConservancy.org](http://www.CentralColoradoConservancy.org) | [info@CentralColoradoConservancy.org](mailto:info@CentralColoradoConservancy.org) | 719-539-7700

## Example #2 - Partially Funded Conservation Easement

Landowner Jane Brewer's conservation easement was valued at \$500,000 by a certified appraiser. The Conservancy raised funds to purchase 25% of the value of the easement. Brewer donated the remainder.

As a Colorado taxpayer, her donation qualified for a Colorado state income tax credit of 90% of the value of the donated portion of the easement. In this example, Brewer chose to sell the credits, the profit from which is subject to income tax.

Brewer's conservation easement donation then qualified for federal charitable deduction of the donated value of the easement minus the value of the state tax credit.

### Total Easement Value ————— \$500,000

|   |           |
|---|-----------|
| Income for 25% purchase of easement (outside funding) | \$125,000 |
|---|-----------|

### Donated Easement Value ————— \$375,000

|  |                       |           |
|--|-----------------------|-----------|
| State tax credit   | 90% of \$375,000      | \$337,500 |
| State tax credit sale  | 83% of \$337,500      | \$280,125 |
| Transaction costs, see pg 6                                      | \$280,125 - \$70,000  | \$210,125 |
| Income from sale of tax credits from donated portion of easement |                       | \$210,125 |
| Net cash to landowner  | \$125,000 + \$210,125 | \$335,125 |

|                                |                       |          |
|--------------------------------|-----------------------|----------|
| Federal tax benefits           | \$375,000 - \$337,500 | \$37,500 |
| Possible federal tax deduction |                       | \$37,500 |

In total, Brewer donated 75% and sold 25% of a conservation easement valued at \$500,000. She sold her Colorado state tax credits for \$280,125 and qualified for an additional \$37,500 in federal tax deductions.

*Landowners should consult qualified legal and financial advisors familiar with their particular circumstances when considering a conservation easement on their property.*

## Example #1 - Donated Conservation Easement

Landowner John Brown's conservation easement was valued at \$500,000 by a certified appraiser (the market value of his property without easement restrictions minus the value with restrictions).

As a Colorado taxpayer, his donation qualified for a Colorado state income tax credit of 90% of the value of the easement. In this example, Brown chose to sell the credits, the profit from which is subject to income tax.

Brown's conservation easement donation then qualified for federal charitable deduction of the donated value of the easement minus the value of the state tax credit.

### Donated Easement Value ————— \$500,000

|                                      |                       |           |
|--------------------------------------|-----------------------|-----------|
| State tax credit                     | 90% of \$500,000      | \$450,000 |
| State tax credit sale                | 83% of \$450,000      | \$373,500 |
| Transaction costs, see pg 6          | \$373,500 - \$70,000  | \$303,500 |
| Net cash to landowner (before taxes) |                       | \$303,500 |
| Federal tax benefits                 | \$500,000 - \$450,000 | \$50,000  |
| Possible federal tax deduction       |                       | \$50,000  |

In total, Brown donated a conservation easement valued at \$500,000, sold his Colorado state tax credits for \$373,500 and then qualified for an additional \$50,000 in federal tax deductions.

*Landowners should consult qualified legal and financial advisors familiar with their particular circumstances when considering a conservation easement on their property.*

The Conservancy may be able to raise funds through grant programs to **pay landowners for a portion of the value of conservation easement** for priority properties. If so, the landowner may then be eligible for tax benefits based only on the remaining donated value of the conservation easement. Fundraising significantly lengthens the amount of time needed to complete the easement. Funding programs may not be appropriate for all projects and are highly competitive.