# *RANCH PRESERVE:*
# *A NEW CONCEPT IN LAND USE:*


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TABLE OF CONTENTS

## I. Introduction

Lee Dusa is the creator of an innovative land use concept called a Ranch Preserve. This concept is being realized in a widely acclaimed project in Gunnison, Colorado called Eagle Ridge Ranch. This approach to responsible development of pristine Rocky Mountain land is hailed as a model for others to emulate. Lee's creation is the result of eight years of study and travel in the western states observing land use patterns, sensitive and insensitive development and societal values imposed on the land. He has taken into consideration many, often opposing, objectives and developed an organizational approach which blends the benefits of different land uses simultaneously. For example, profitable cattle ranching, and habitat development for wild game species have been viewed as non–compatible, yet Lee has integrated these interests successfully at Eagle Ridge Ranch. In addition, the valuation of ranch land by "city folks" at ever increasing recreational prices have caused ranchers to sell out which has taken ranch land out of production. Lee has created an idea which recognizes the new, higher value of the land, manages it for wildlife and, recreation and most importantly, leaves it in agricultural production forever. In this model, viewsheds are preserved, wildlife flourishes, cattle and hay production remain and the owners enjoy the pristine beauty the Rocky Mountain setting provides.

II. Setting the Stage – Ranch Land at Risk

A. Ranch land available for development in Rocky Mountains

1. Large tracts are ranches (300+ acres are generally in agriculture production)

2. Ranches represent open space, located in beautiful settings, ie. abundant water sources, irrigated hay meadows, streams, riparian areas, valleys

3. The best viewsheds along travelways in private ownership are ranches

B. Ranches have been recently re–valued

1. Recreational valuation transition

a. New phenomenon – last 5 to 10 years

b. Demand–side driven

I. Migration to Rocky Mountains

ii. People with different values

iii. Quality of life deterioration in cities

c. Price per acre dependent upon amenities

I. Minutes to airport

ii. Proximity to town

iii. Views

iv. Live water, etc.

d. Developers maximize profits with greatest density approach

I. Montana – 20 acres to 160 acres last year

ii. Colorado – 35+ acres

2. Ranches are for sale

a. New generation not interested

b. Owners (older ranchers) aware of new valuation of their land

c. Medium to small ranches generally not profitable (300 cows and under)

d. Ranches must get larger, not smaller

C. Agricultural loss is critical to quality of life

1. U.S. and World food supply not keeping pace with population growth

2. Agricultural use only means to preserve privately owned viewsheds and open space

3. Wildlife depends (in populated areas) upon agriculture

a. Pheasants – corn fields
b. Elk – hay meadows
c. Deer – hay/corn/alfalfa

## III. "Ranch Preserve" Definition

Problem: How do we keep a ranch in agricultural production, manage the land for flourishing wildlife habitat, and reward the previous owners with the higher valuation of today's market prices?

Solution: A single owner who simply pays many, many millions of dollars (ie. Ted Turner).

OR

Multiple owners of an operating ranch agreeing to keep it that way!

A. A Ranch Preserve is:

1. Multiple ownership, sparse density
2. Managed for:
   a. Profitable agricultural operation
   b. Wildlife habitat
   c. Viewsheds and open space
   d. Recreational use and home sites for owners
3. Legally preserved forever

B. Requirements for successful implementation

1. Like-minded owners

2. Clearly articulated organizational structure

    a. Declaration of Protective Covenants

    b. Rules and Regulations

    c. Design Guidelines

    d. Conservation Land Covenant

3. Appropriate land

4. Willingness to try new idea

5. Great legal help

C. Land's role different to new owners

1. Previous owner (rancher) <u>depended</u> upon land as his sole means of support

    a. Land was "pushed" to realize maximum profits

    b. Stocked with maximum number of cattle

    c. Wildlife/views were distant secondary objectives

2. New owners buy for non–profit reasons

    a. Home in pristine natural setting

    b. Views/wildlife

    c. Recreation

    d. Romance of ranch setting

3. Owners income derived from other (non–land) sources

IV. Eagle Ridge Ranch

A. Location

1. Seven miles north of Gunnison served by paved county road and great airport

2. Halfway up 20 mile long agricultural valley, meadows in bottom, snow capped peaks all around

3. 22 miles to Crested Butte

B. Land

1. 4,900 acres deeded plus 10,000 acres permit

2. 2 1/4 mile stream

3. 900 acres irrigated haymeadows

4. Borders US Forest for 7 miles

5. Great cattle and hay operation

C. New Plan:

1. Fifteen shareholders, each with 2 acres building envelope carefully selected:

a. Out of sight of county road

b. Out of sight of each other

c. 1/4 mile apart

d. Minimal agricultural impact

2. Agriculture leased to professional rancher

D. Management principles of Eagle Ridge Ranch

1. Sustainable, profitable agriculture

2. Enhanced wildlife carrying capacity

3. Recreational use by owners

**THESE ARE <u>EQUALLY IMPORTANT</u>**

E. Income to Homeowners from agriculture equals expenses – no dues!

F. Tremendous support from all groups

1. Stockgrowers

2. County government

3. High Country Citizens Alliance

4. Neighbors

5. Agencies

6. Citizens, sportsmen

7. State Department of Agriculture

8. Colorado Division of Wildlife

V. Easements and Covenants

A. A conservation land <u>easement</u>

1. Gift to 501C3 – appears on Schedule A of tax return
2. Represents reduction in value of land (development rights)
3. Specific IRS appraisal guidelines
4. Results in reduction of taxes (and maybe income taxes)
5. See 170 (H) IRS Code

B. Conservation land <u>Covenant</u>

1. Not a gift
2. No appraisal required
3. No tax savings
4. Does permanently preserve the land

C. Current IRS code creates gifting problems for developers

1. Land, used as a gift, must be held for one year minimum or purchase price will be used as the basis!
2. Adjoining lands rule: When one property is divided (ex: into parcels A & B) and a permanent easement is placed on B, thereby lowering its value; and, as a result of proximity to B, parcel A increases in value. The increase in A must be netted against the decrease in B to determine the value of the gift. Sec 170 (H) IRS Code.

3. Real Estate "Dealers" excluded.

4. These provisions discourage developers from considering conservation easements as <u>income</u> tax benefits are very difficult to achieve.

D. Estate tax savings apply to heirs of landowner wishing to keep the Ranch in the family in a non–developed condition.

VI. "Highest and Best Use" – A New Ethic

A. Traditional Developers view

1. Maximum legal and marketable density

2. Market driven (whatever will sell! – and sell fast!)

3. Land is viewed as tool to achieve financial objectives

4. Developers viewed as "bad guys," self appointed to make irreversible land use decisions driven by profit

5. Developer's actually take immense financial risks

B. Emerging View

1. Societal values starting to influence land use decisions ––– and the voice is getting louder

2. Land is valued for uses other than buildings and golf courses (cows no condos)

3. Greater sensitivity (listening to society) required of developers

4. Non–traditional buyers (uses) need to be explored

C. Thousands of Years

1. Impact of today's decisions will last forever

2. Ask yourself – "Am I being responsible to the generations that follow me?"