


Forever a Working Ranch

BY TROY SMITH
PHOTOGRAPHY BY
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Noble Goal of the
Colorado Cattlemen's
Agricultural Land Trust

The old barn on the
Fetcher Ranch near
Steamboat Springs,
Colorado.





Knott Land and Livestock is located in northwestern Colorado, near the community of Oak Creek in Routt County, and it's similar to many cattle outfits in both the West and the rural East. It's one of those multi-generational family operations that provide a richly rewarding lifestyle, but modest financial rewards. As Tyler Knott puts it, "this ranch generates a pretty good living for one family, but there's more than enough work for two."

Ranching is all Knott and his father, Bernard, have ever wanted to do. They make it work, sharing management of a couple of hundred spring-calving cows. Weaned, backgrounded steer calves are sold each January, while the heifer mates are carried over as yearlings. Heifers not chosen as herd replacements are marketed as grass-grown feeders. Knott says he and his dad would like to grow the operation – run more cows – but that requires the purchase of more land. It's not an easy thing to do.

Roughly half of Routt County is public land, administered by the U.S. Forest Service or the Bureau of Land Management, and deeded land carries a hefty price tag – in the neighborhood of \$3,000 per acre. According to Knott, their mountain valley is roughly 35 miles from Steamboat Springs. Its recreational and residential development potential has influenced real estate prices, making it hard to buy land and pay for it with cattle.

"We're concerned about what development could do to this valley. We'd hate to see ranchlands taken out of production and carved up into 40-acre parcels," states Knott.

The family is taking steps to gain the financial footing necessary for expansion of the operation, and to preserve the land for ranching now and forever. According to Knott, nearly half of the family's 2,400 deeded acres are to be placed under conservation easement with the Colorado Cattlemen's Agricultural Land Trust (CCALT). Put simply, the transaction will turn over development rights on the specified acreage to CCALT. Under the terms of the easement, the land must always be available for ranching and cannot be subdivided or commercially developed – not ever.

"The land we chose is just about in the center of our place, along Trout Creek. It's probably the prettiest part of the valley and its aesthetic quality makes it the most likely

target of developers," explains Knott. "We plan to donate the development rights on about a third of the acreage, which allows us to take advantage of a Colorado state tax credit. We'll sell the development rights on the other two-thirds. The funds we receive could be used to buy additional land from a neighbor. It might also allow us to pursue opportunities to consolidate ownership of the family ranch."

Some WR readers might cringe at the thought of putting private property under a conservation easement. After all, it's a legally binding contract between the landowner and a qualified land protection organization (a non-profit land trust) that puts limitations on how that land may be used. An easement actually becomes part of the deed and all future owners are bound by its terms for as long as is specified in the contract. Often, that's "in perpetuity". And the land trust holding the easement has the right and obligation to periodically inspect the property to make sure terms of the contract are honored.

BITTER TASTE FOR SOME

The use of conservation easements for land preservation and natural resource conservation has increased substantially over the last couple of decades. However, some landowners that entered agreements with land trusts have later regretted their decisions. There have been disappointing experiences – situations where the terms of a conservation easement proved to be more restrictive than landowners anticipated. Hard feelings resulted when landowners realized they no longer had the flexibility to apply certain ranch management practices. Maybe they discovered, too late, their easements were held by land trusts whose objectives ultimately did not complement agricultural production.

That's why, just over 15 years ago, members of the Colorado Cattlemen's Association decided to create a land trust that was first and foremost agriculture-friendly. According to CCALT Executive Director Chris West, it's still the only land trust in Colorado that serves working agricultural lands exclusively.

"CCALT has completed over 250 conservation easements. When it's done right, an easement can be a really valuable tool," says West, noting how ranchers and farmers have different motives for wanting to protect their land from development. It might be to ensure that family traditions continue, or to preserve cultural, historic or economic values.

“Generally, most of them want to see their places remain intact and they want to see them remain in agricultural production. Most want to see their ranches or farms continue as family operations,” adds West. “Sometimes, selling a conservation easement can help families get through tough situations.”

For example, a landowner might capitalize on the land’s potential development value, using proceeds from the sale of an easement to reduce or eliminate debt, improve cash flow and maintain an operation’s viability. Proceeds might be used to satisfy siblings or other share-holders, thus consolidating ownership with the operator. The funds might also be used to expand the operation by purchasing neighboring property.

West says transferring development rights to a land trust may afford tax benefits for the landowner. The value of a donated perpetual conservation

easement, which qualifies under Internal Revenue Service rules, may be deductible from federal income taxes. In Colorado, the landowner may also be eligible for a state tax credit. Whether an easement is donated or sold, the transfer of development rights generally lowers the land’s market value, reducing the estate tax burden for eventual heirs. However, placing land under an easement does not make it exempt from local property tax.

REAL ESTATE PRICES RISE

Concerned about looming estate issues and the rate at which area ranchlands were being taken out of production, Clark-area rancher Jay Fetcher began studying potential uses of conservation easements in 1983. Some 30 years prior, Fetcher’s father, John, had turned from a career as an electrical engineer to ranching, moving his young family to the ranch just 20 miles north of

Steamboat Springs. After graduating college, the younger Fetcher assumed management of the operation, and his father became involved with the area’s fledgling ski resort industry.

“When my father bought the ranch, and up until the early 1960s, the area economy was still heavily dependent on agriculture”, Fetcher explains. “That has changed with continued recreational and residential development. The ski area, in part, created challenges for us, as ranchers. More and more development followed and real estate values were driven beyond what cows could support.”

“Our family felt a commitment to ranching and protecting agricultural lands. And we needed to preserve our ranch as an agricultural unit. Using a conservation easement, we could permanently restrict the value of the ranch, thus lowering the estate value.”

Fetcher says several neighbors shared the same vision – one that sup-

The red bluffs of the 50,000 acre JE Canyon Ranch in southeastern Colorado. The Purgatoire River cuts through the base of the cliffs.





Saguache Creek curves through the Flying X Ranch nestled in the San Luis Valley, Colorado.

ported agricultural production in their mountain valley rather than a transformation to golf courses fringed by condominiums. Their vision allowed for some controlled development along with some protection for working ranches. The Fetchers led the way back in 1992, placing their ranch under an easement with the American Farmland Trust (AFT).

At that time, the Fetcher family felt AFT was the only land trust dedicated to preserving agricultural land for agricultural production. Other trusts available at the time wanted to place restrictions on how the land would be managed; restrictions that went beyond good stewardship and weren't always compatible with production agriculture and cattle ranching. So Fetcher approached the Colorado Cattlemen's Association with the idea of forming a land trust which, like AFT, focused on the interests of agricultural landowners. The CCALT came together in 1995, with Fetcher among the founding board members.

"We wanted to keep ranches as ranches and keep ranchers on them," says Corwin Brown, who was also involved in establishing CCALT and currently sits on its advisory council. As manager of JE Canyon Ranch near Branson, Brown and the operation's owners (the Wenger family) transferred development rights on a size-

able chunk of ground to CCALT in order to protect their productive ranch and its unique landscape.

Put together from three smaller spreads, JE Canyon Ranch consists of 50,000 deeded acres in southeastern Colorado – an area characterized by big, deep red rock canyons. The Purgatoire River meanders through the ranch Brown describes as a working cow outfit. Its complex landscape is managed under planned rotational grazing, with cattle kept to the high ground during the summer growing season, while canyon bottoms and wetland areas are deferred for winter use.

Brown says the centerpiece is a 25,000 acre parcel that developers hungered for, even while held by the previous owners. That's the portion of the ranch that the current owners chose to protect by donating the development rights to CCALT.

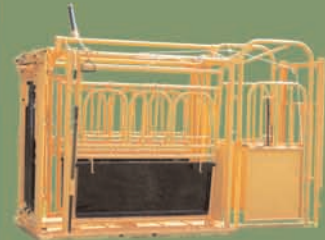
"Conservation easements can be used for different reasons, but our main motivation was to preserve open space and keep this as a working ranch. We didn't want to see it chopped up into 'ranchettes' or become commercially developed," states Brown. "And under the terms of the conservation easement with CCALT, the ranch is still managed in a productive but sustainable way. It doesn't operate one iota differently than before."



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PLENTY OF NOTHING IS A GOOD THING

Sustainable management practices are largely responsible for keeping most of the ranches along the Saguache Creek corridor in the hands of the same families for four or five generations. Some of them claim to have “plenty of nothing,” but it’s a proud reference to San Luis Valley open space. The Nielsen family’s Flying X Ranch has its headquarters there; wintering cows on the valley floor and summering higher up in the mountains. They are among the 16 area landowners that have placed land under conservation easements administered by CCALT.

Claiming Colorado has been nearly “subdivided to death,” Ed Nielsen says his family decided to place almost 90 percent of their deeded land under protection by conservation easement. It tied up the development rights while generating some capital. It also helped with estate planning. But the decision wasn’t made without family members first doing their homework.

“There are a lot of land trusts – probably a lot of good ones – but working with CCALT is about the only way I would consider using a conservation easement. It is run by ranchers, like me, and certainly not by people with extreme environmentalist views,” says Nielsen.

Concern for the environment was part of Nielsen’s motivation, though. It usually is when agricultural landowners give consideration to use of conservation easements. According to Chris West, any conservation easement must provide for at least one conservation purpose, whether to protect wildlife habitat, open space or agricultural lands. Often ranchers have all three goals in mind, with emphasis on protecting land for agriculture. That’s CCALT’s emphasis too, while some other land trusts may have different priorities.

“If it doesn’t have an agricultural component,” states West, “it’s not a property that CCALT will be involved with protecting.”

BUT WHERE DOES THE MONEY COME FROM?

The money to purchase easements comes to CCALT from a variety of private and public entities interested in one or more of those same three purposes. West says Great Outdoors Colorado, funded through a portion of the state’s lottery, provides grants for qualified projects designed to preserve open space. Government agencies, such as the Natural Resource Conservation Service, also serve as financial resources.

CCALT also maintains a Stewardship Endowment Fund to make sure the land trust has financial resources to fulfill its stewardship and monitoring obligations. Whenever a conservation easement agreement is finalized, the landowner is required to make a contribution of at least \$11,000 to the Stewardship and Endowment Fund. Additionally, each landowner contributes a minimum of \$4,000 to CCALT’s Legal Defense Fund. This resource is maintained in the event CCALT would have to defend conser-

The Fetcher Ranch, near Steamboat Springs, Colorado.





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vation values of existing easements.

West says these figures are “base numbers” and the required contributions may be even higher for some complex transactions. Landowners often receive help in meeting these obligations, from both public and private supporters of CCALT. West also notes how the sale of an easement doesn’t necessarily net a huge pile of cash. The landowner also makes an investment in CCALT. From a financial aspect, the numbers have to work or the deal is best avoided.

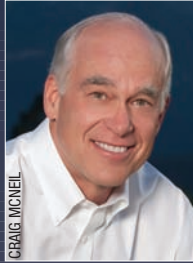
“It’s not a silver bullet,” warns West. “It’s not necessarily going to work for everybody and every situation. But it has worked well in certain situations here, in Colorado, and other places too. CCALT has been the model for land trusts established by cattlemen’s groups in other states.”

Corwin Brown warns landowners to

think hard about what they are doing before selling or donating a conservation easement. He also advises careful scrutiny when choosing a land trust. It’s a partnership that will last a long time.

“Remember that you are selling or giving away rights specified in the

terms of an easement. Consider that carefully, because once they’re gone, they’re gone. You can’t change your mind,” says Brown. “But a conservation easement can be a great tool, if you’re really sure you want to leave the ranch as God made it.” **WR**



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John Fielder has worked tirelessly to promote the protection of Colorado’s open space and wildlands. His photography has influenced people and legislation, earning him recognition including the Sierra Club’s Ansel Adams Award, the University of Denver’s Daniel L. Ritchie Award, and the Distinguished Service Award from the University of Colorado. He was an original governor-appointed member of the lottery-related Board of Great Outdoors Colorado, and speaks to thousands of people each year to rally support for timely land-use and environmental issues. His beautiful book, *Ranches of Colorado*, can be found at www.johnfielder.com.



The JE Canyon Ranch red rock and pinyon tree landscape.



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