

A Landowner's Guide

to Working with the
Grand Traverse Regional Land Conservancy



Working with the Grand Traverse Regional Land Conservancy

The Grand Traverse Regional Land Conservancy (Conservancy) can offer invaluable assistance in your effort to protect your land. The hallmark of the Conservancy is that we listen to landowners and help them devise the best way to keep their land open.

Our land protection staff offers the expertise and commitment to provide sound information and assurance of long-term land protection. Our staff will work closely and confidentially with you as you make decisions for your land, and the Conservancy will be there to ensure the land is protected long after the project is completed.

The Conservancy's approach is strictly voluntary: we work with willing landowners who share our conservation goals.

What Is the Grand Traverse Regional Land Conservancy?

The Grand Traverse Regional Land Conservancy is a private, nonprofit corporation. Our mission is simple and straightforward: we protect significant natural, scenic, and farm lands – now and for all future generations.

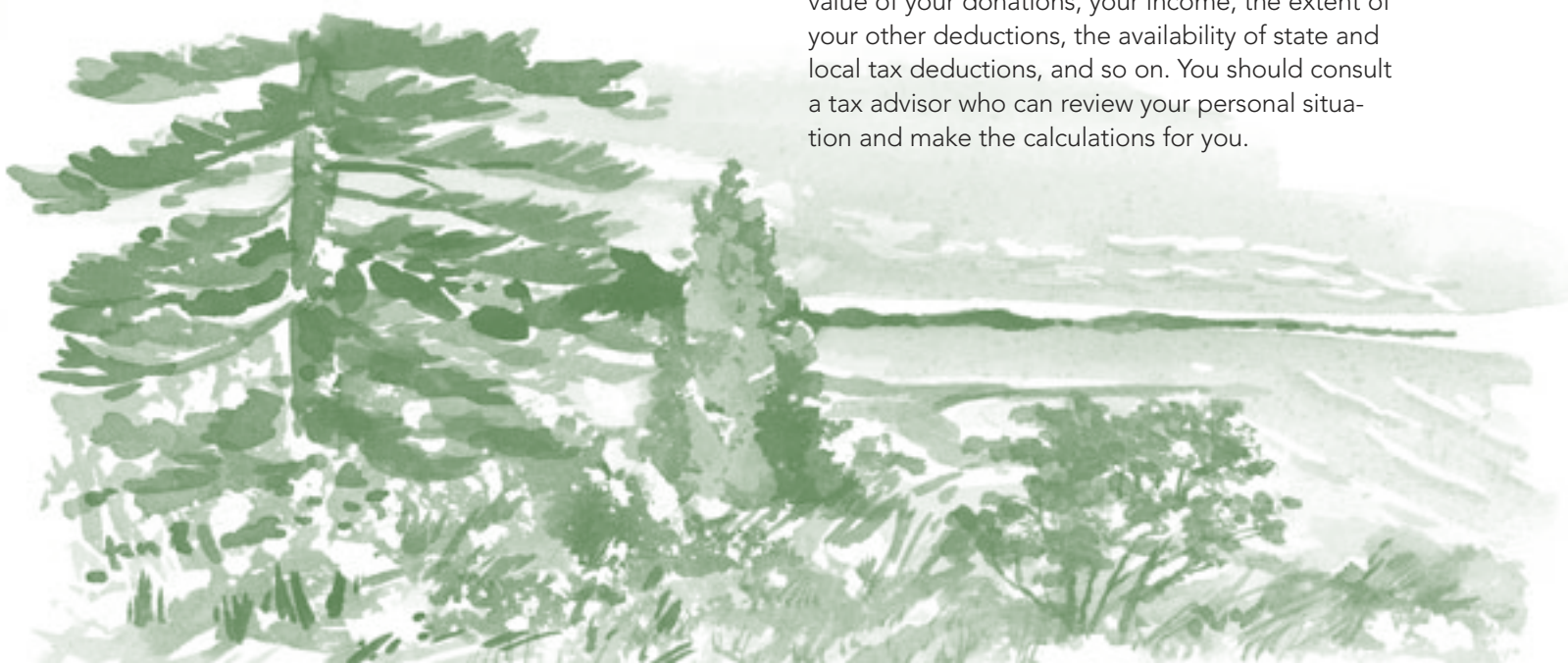
We protect land by accepting donations of land or conservation easements. In some special cases when funding is available, we buy land or certain rights in land. We work in Antrim, Benzie, Grand Traverse, Kalkaska, and Manistee counties.

How the Grand Traverse Regional Land Conservancy Can Help You

- **We listen to your goals for your land and help match these with protection opportunities.**
- **We can serve as recipients and stewards of conservation easements and land.**
- **We can provide referrals to attorneys, appraisers, and accountants familiar with conservation strategies.**
- **We are a “public charity” as defined by the federal tax code, and donations of land, qualified conservation easements, or cash and securities to us are tax deductible.**

Tax Examples in This Booklet

Many of the land conservation options highlighted in this booklet involve tax benefits to the landowner. As such, this booklet includes a few basic examples of the different types of tax benefits and how they are calculated. The tax examples in this booklet are simplified and generally address only federal tax considerations. They are based on tax laws as they stood in mid-2003. The examples are provided to show generally how the tax benefits work, not to guide you in calculating your own benefits. Your personal tax outcome in any particular situation will depend on factors such as the value of your donations, your income, the extent of your other deductions, the availability of state and local tax deductions, and so on. You should consult a tax advisor who can review your personal situation and make the calculations for you.



Conservation Easements

A conservation easement is a legal agreement between a landowner and the Grand Traverse Regional Land Conservancy that permanently limits a property's uses in order to protect its conservation values.

How Conservation Easements Work

When you own land, you also "own" many rights associated with it. These property rights include the rights to harvest timber, build structures, grow crops, and so on (subject to zoning and other restrictions). When you grant a conservation easement to the Conservancy, you permanently give up some of those rights and retain others. For example, you might give up the right to build additional residences while retaining the right to grow crops. Future owners are also bound by the easement's terms.

Conservation easements can be used to protect a wide variety of land including farms, forests, wildlife habitat, and properties with scenic views. Conservation easements are drafted in a detailed legal agreement that outlines the rights and restrictions on the owner's uses of the property and the responsibilities of the landowner and the Conservancy.

Easements Are Flexible

The landowner and the Conservancy tailor the easement terms to protect the land's conservation values and to meet the needs of the landowner. Thus, each easement is a unique document. Generally, limitations are made on the number and location of structures and the types of land use activities that can take place.

The Conservancy cannot accept an easement that does not meet our conservation standards, but these

standards are met in different ways on different properties. For example, a farm might be protected by an easement that allows continued farming and the building of some additional structures for agricultural purposes. For a property containing habitat for a rare wildlife species, an easement might prohibit development of any kind. A working forestland easement can allow for sustainable timber harvesting and possibly a limited number of home sites.

A conservation easement can serve as a flexible tool in a family's financial planning. The easement may apply to just a portion of the entire property. It could also allow some building within the area under easement, if that is compatible with the easement's conservation objectives. A conservation easement can also be combined with other protection methods. *Please see the back of this booklet for the Acceptance Criteria for Conservation Easements.*

Easements Are Enforced

When the Conservancy receives a conservation easement, it takes on the permanent responsibility and legal right to enforce the terms of the easement. We monitor easements by inspecting the land regularly (yearly in most cases) and maintaining communications with landowners about future plans in order to avoid conflict with the easement. If a future owner or someone else violates the easement – for example, by erecting a building that the easement doesn't allow – the Conservancy will take action to have the violation corrected, including going to court if necessary. These permanent responsibilities are a long-term cost to the Conservancy and they may request a

The Advantages of Conservation Easements

- They leave the property in the ownership of the landowner, who may continue to live on it, sell it, or pass it on to heirs.
- They can significantly lower estate taxes – sometimes making the difference between heirs being able to keep land in the family and their needing to sell it. In addition, easements can provide the landowner with income tax and, in many cases, property tax benefits.
- They are flexible and can be written to meet the particular needs of the landowner while protecting the property's resources.
- They are permanent, remaining in force when the land changes hands.

cash donation from the easement donor to help pay for future stewardship expenses.

Donating a Conservation Easement

By far, the most common way of conveying a conservation easement is by donating it outright to a Conservancy or governmental agency.

Qualifying for an Income Tax Deduction

The donation of a conservation easement that meets certain requirements of the tax code can qualify as a tax-deductible gift. These requirements include a provision that the easement must be donated in perpetuity. It must also be donated to a qualified charitable organization that has the commitment and resources to enforce the easement, such as a conservancy or a governmental agency. In addition, it must be donated exclusively for conservation purposes, such as the protection of natural habitat for wildlife or the preservation of open space (including farmland and forest land) that provides a benefit to the public by offering the public a scenic view.

In essence, the income tax deduction is reserved for the protection of conservation resources that truly provide significant public benefit. However, the Internal Revenue Code (IRC) allows for a certain amount of flexibility in the qualification of conservation easements.

The Size of the Income Tax Deduction

For income tax purposes, the value of the easement is the difference between the value of the land with the easement and its value without the easement, otherwise known as the “before” and “after” values. (This is determined by an appraisal.)

For example, suppose an unrestricted property

has a fair market value of \$500,000. The landowner donates a conservation easement to the Conservancy on the land that precludes further development. The fair market value of the land without its development potential drops to \$300,000. The value of the donation is considered to be \$200,000.

Example

Fair Market Value of land before easement
\$500,000

Fair Market Value of land after easement
\$300,000

Value of easement
\$200,000

If a landowner is unable to deduct the full amount of the easement value in one year, the IRC generally allows for the deduction to be carried forward for an additional five years. This way the landowner may be able to more fully realize the benefit of the easement donation.

Although virtually all conservation easements result in some reduction in land value, there is no rule of thumb for determining how much that will be. Easement values have ranged from less than

Conservation Easements Often Reduce Property Tax

Placing an easement on your property may also result in a property tax savings. The tax assessment on an easement-restricted property should reflect the land’s lowered value after imposition of the easement. However, local assessment practices vary. Assessors may not be familiar with conservation easements; you may have to apply for a reduction in the assessment. There is currently no law in Michigan that obligates the tax assessors to honor the after-easement appraised value. However, in cases brought before the Michigan Tax Tribunal, the Tribunal has ruled in favor of a lower “after” easement land value.

10% to more than 90% of a property’s fair market value. In general, the highest easement values arise from very restrictive conservation easements on tracts of developable open space in areas where development pressures are intense. For example, a conservation easement over an undevelopable wetland or on a remote farm will have lower value.

A Common Misunderstanding about Conservation Easements

The most common misunderstanding about conservation easements is the belief that they must allow the public to have access to your property. This is not true – conservation easements **do not** require public access on your land.

Reduce Estate Tax

It's a fact of modern life that simply passing land on from one generation to the next may prove impossible for some families. For example, a landowner dies leaving land to her children. The children find that the land has appreciated dramatically since it was purchased. Because of its development potential, the land's fair market value is in the millions of dollars. The federal estate tax is based on this fair market value, not on the land's original purchase price or on its current use. Selling all or part of the land for development may appear to be the only way to pay the estate tax.

A conservation easement can change this scenario. If the landowner places an easement on the land restricting future development, its fair market value will, in most cases, be reduced. When the landowner dies, estate taxes – based on the value of the land with its development potential restricted – will be reduced.

An easement's effect on estate taxes is generally more important to landowners with sizeable estates and substantial real estate holdings than to those with more modest estates. However, keep in mind that northern Michigan's real estate market can easily push a property's value well above that level without the landowner realizing it.

IRC Section 2031(c)

The Taxpayer Relief Act, passed in 1997, added significant incentive for the donation of conservation easements on family lands. Under Section 2031(c), a qualified conservation easement donation allows for an additional exclusion of up to 40% of the value of the protected land for estate tax purposes up to a cash value of \$500,000. It also

provides the opportunity for a qualified conservation easement to be donated by the heirs after the death of their loved one, but before the estate tax return is filed. For complete information on all aspects of this Internal Revenue Code section, landowners should consult a qualified tax advisor.

Purchase of Development Rights

Where possible and when funds are available, the Conservancy may protect land by assisting or facilitating in the purchase of development rights (PDR) on certain priority properties.

Here's how it works: the land is permanently protected by a conservation easement, but instead of donating the conservation easement/development rights as a charitable gift, landowners receive a cash payment for some or all of their development rights. The value of the development rights is determined by an appraisal using the same methods for determining the value of a conservation easement.

PDR continues to be a useful tool for our region's farmers. Peninsula Township residents in Grand Traverse County voted to fund a PDR program in their community in 1994; it has served as an effective tool for protecting farmland on the Old Mission Peninsula. The program has been so successful that an extension and increase of the millage in the township was approved in November 2002.

Conservation Buyer Program

On occasion, the Conservancy purchases key properties in order to protect them from development but with the sole intention of reselling the land. In some cases we restrict the land with a conservation easement and then sell it to a "conservation buyer." Alternatively, the buyer will purchase the land from the Conservancy unrestricted, but then grant a conservation easement on the property and take advantage of the available tax benefits.

*“It allows us to use the land the way we want to use it.
The only restrictions are those we imposed ourselves.”*

— Al Hart, conservation easement donor —

It was 1910 when Al Hart’s grandfather settled their family farm in the sparsely populated countryside near South Boardman. Two generations later, Al and his wife Carol began to notice that the amount of agricultural and undeveloped land around their 120-acre property was shrinking at an alarmingly rapid rate. They knew they wanted to protect their farm from someday being divided and developed, but they weren’t sure what approach to take until a road trip out west provided a vision of what they wanted.

“We made a conscious decision to take as few major highways as possible and just travel on back roads. We saw a lot of great country, a lot of natural scenery without much development,” Al recalled. Carol agreed that it was this trip that impressed “the importance of saving large parcels of land” upon them.

The Harts ultimately decided to donate a conservation easement on their land to the Grand Traverse Regional Land Conservancy. Once this decision had been made, all that remained was customizing the easement to fit the way the Harts lived. Al wanted to continue hunting on the property as well as clear trails for hiking and cross-country skiing. They also wanted to make provisions for their two children, in case either of them decided they might like to build there

someday; thus, two “floating” building sites along the road were incorporated into the terms of the easement.

Then there were the cattle. Al no longer raised cattle for a living, but he kept a small herd “because I enjoy doing it,” and he wanted to be sure there would be a permanent place for them as well. Accordingly, some of the acreage was set aside for livestock and agricultural uses, while the remaining acreage allows for sustainable timber management with the exception of two 10-acre “natural areas” that will remain untouched forever. “We see all kinds of wildlife out here: woodcock, deer, partridge, coyotes, even red fox,” Al noted.

The Harts found the process of placing the easement on their land relatively simple and the results enormously satisfying. “There was even a significant financial benefit,” they added. “We got a sizable tax deduction we were able to spread out over several years.”

“The great thing about the easement is that it allows us to use our land the way we want to use it. The only restrictions are those we imposed ourselves,” Al explained. “I would recommend doing this to anyone.”



“What could you possibly buy with all that money that could ever give you more pleasure than this?”

———— Gloria Whelan, conservation easement donor ————

Land around Mancelona was still relatively inexpensive when Joe and Gloria Whelan first purchased their 179 acres. “We could never afford this much property now,” Gloria laughed, “but back then, everyone wanted the excitement of living in a resort town, which was exactly what we didn’t want. Not too many people wanted to live out in the middle of nowhere.”

The Whelan’s land not only contains acre upon acre of lush, shady hardwood forest, it also encompasses the vast majority of clear, sparkling Oxbow Lake, with the remaining few hundred feet owned by the State of Michigan. Gloria and Joe were all too aware of how attractive it might one day be to a developer. “We looked across the lake and envisioned the opposite shoreline dotted with houses, and we decided we had to rescue it,” Gloria remembered.

In the early 1990s, the Whelans placed a conservation easement on all but a few acres of their land. “We left a small area out of the easement in case our son ever wanted a place here,” Gloria explained.

To Gloria and Joe, the land is a living, breathing entity that has gently shaped both their work and their lives. Gloria, a nationally recognized

author of both adult and children’s literature, said she derives an enormous amount of inspiration from the scenes unfolding outside her office window. She is able to watch squirrels run by, the beavers hard at work on their lodge, or even a heron flying past. “That heron might end up in the story I’m working on. Even if I’m writing about India, it might be that same bird who appears in my story, only with different plumage.” As the land around their once isolated property becomes more and more developed, Gloria has noticed that “more and more animals are taking refuge here.”

Gloria is confident that protecting their land with a conservation easement was the right thing to do, even though some people might argue that their land would be worth more if it could be developed. “I don’t think that’s true,” said Gloria. She is sure many people would gladly pay a decent price for the beauty and privacy such a large parcel of undevelopable land could provide. “Besides,” she observed, looking around her at the new spring leaves, “even if you got ‘full price’ from the sale of ‘developable’ land, what could you possibly buy with all that money that could ever give you more pleasure than this?”



“Word of mouth is what builds trust...I want people to know what a great experience this was for us.”

————— **Bob Barnes, conservation buyer** —————

When Bob and Gail Barnes first began their property search, they had no idea where that search would ultimately lead them. They knew they wanted a quiet, undisturbed piece of land where they could build a retreat removed from the hectic pace of everyday life and where their family could relax, hunt, and enjoy the wildlife. They also knew that between juggling their own busy schedules, Bob’s medical practice, and the activities of their five children, they were going to have to search relatively close to their Traverse City home. “We knew we weren’t going to be able to go all the way to someplace like the U.P. We don’t always have a few days free at one time, but we can usually find a couple of hours, so we needed something close,” Bob explains.

Once they decided to look locally, they turned their attention to the Grand Traverse Regional Land Conservancy. Bob had recently heard a presentation by a friend of the Conservancy at the hospital where he works and several things in the presentation peaked his interest, namely the idea of becoming a conservation buyer. Since he was sure he and his family would never want to develop their property beyond building a cabin, he felt that buying land from the Conservancy and then donating a conservation easement on the property back to them was the perfect arrangement. “We knew we were looking for

two things,” says Bob. “We wanted land near the river...and we wanted to be surrounded by other large parcels that would also be protected from devel-

opment. We didn’t want to look out one day and see twelve new home sites being carved out of the woods.”

As it turned out, the Conservancy had just the property for which Bob and Gail had been looking: forty acres of woodland surrounded by state land and other Conservancy-owned properties on the eastern edge of Grand Traverse County. The land was exactly what the Barneses wanted, except for the fact that it had no river frontage. However, soon after, the Conservancy was able to secure an additional forty acres with Boardman River access. This parcel was adjacent to the first, and the Barneses decided to include it in their purchase. The Barneses then donated a conservation easement to the Conservancy.

Bob explained that working with the Conservancy allowed his original dream to grow far beyond what he could have imagined and far beyond what he could have done as an individual. “The Conservancy had contacts in different areas. They knew who to get in touch with, what needed to be done, and how to go about it,” he says.

As other landowners in the area began hearing about what the Barneses were doing, they gradually began contacting Bob and Gail and asking for more information. “Word of mouth is what builds trust,” says Bob. “I’m happy to talk to whoever is interested in doing some-

thing like this. I want people to know what a good experience it was for us and that it really can lead to something great.”



Donating Land

Land donated to the Conservancy for conservation is truly one of the finest legacies a person can leave to future generations. Our community is enjoying nature preserves and other open space today because of the foresight and generosity of the dozens of landowners who have made gifts of their land.

Donating Land Is Attractive to Landowners:

- Whose land has significant conservation values and who do not have heirs; or whose heirs cannot or will not protect it;
- Who own property (such as a vacation retreat) that they no longer use;
- Who own highly appreciated property, the sale of which would result in large capital gains taxes;
- Who have substantial real estate holdings and wish to reduce estate tax burdens;
- Who would like to be relieved of the responsibility of managing and caring for land that they otherwise treasure; or,
- Who wish to leave a legacy by preserving their land for future generations.

An outright donation of land has several benefits. It is a relatively simple transaction. It releases you from the responsibility of managing the land. It can provide substantial income tax deductions and estate tax benefits (while avoiding any capital gains taxes that would result from selling the property). Most important, if the land is donated because of its conservation value, it will be permanently protected.

Donation (and Charitable Deduction) vs. Sale (and Capital Gains Tax)

Donating land is a very generous act. But, especially if the land has appreciated a great deal since you acquired it, it may not be as large a financial sacrifice as one would expect. If you donate your land to a charitable organization or government agency, you can claim an income tax deduction equal to the land's current fair market value (within limitations allowed by the tax code).

If you sell the land, you may incur capital gains tax on the appreciation. Your profit may be further reduced by a realtor's commission (usually 6-10%) and expenses resulting from the time delay in finding a buyer.

Donating land will also remove its value from your estate, reducing further estate taxes. And, of course, you won't have to pay property taxes on it anymore.

Working with the Land Conservancy

It is important to get the approval of the Conservancy before making a land donation. Although usually the Conservancy will welcome your donation, in some cases it will be unable to accept it – perhaps because it is not the type of land the Conservancy specializes in or because its location, size, or other factors would cause a strain on the Conservancy's management resources. If unable to accept the land, the Conservancy might be able to suggest another donee or a different protection technique.

It is typical for the Conservancy to request a financial contribution toward future management costs to enable it to fulfill its perpetual obligation to care for the land. Although this may seem an odd request to make of a donor who has already made a generous gift of property, it demonstrates that the Conservancy takes its stewardship responsibilities seriously.

Donating Land to Be Resold with a Conservation Easement

In some cases, ownership by the Conservancy may not be the best long-term protection strategy for your property. If private ownership is most appropriate for the property (for example, if it is a farm or woodlot), the Conservancy may accept the land, place restrictions on it in the form of a conservation easement, and resell it. The land is then protected by the easement, the Conservancy's management costs are reduced, and the Conservancy can use the proceeds from the sale for future conservation work.

Before the land is deeded to the Conservancy, you should have a written understanding from the

“...this land was very important to my dad, and naming it after the family ensures that won’t be forgotten.”

————— Johanna Rowe, land donor —————

After a lifetime spent in an urban landscape, as well as a career spent in the cramped quarters of industry, Daniel Cosner was ready for a radically different setting in which to spend his retirement. After an extensive search, he finally found it on the northern edge of Antrim County. Daniel and his wife Bertha purchased their 131 acres in the early 1970s, but decided to make their home to the south, near Fife Lake, leaving the Antrim County land untouched. “My dad just liked land,” says his daughter, Johanna Rowe. “He didn’t want to do anything to it. He would just walk around it and enjoy it. He liked owning it, pure and simple.”

Johanna recalls her father returning from his trips to the property and talking excitedly about what he had seen on his wanderings. “If he saw snakes, or birds, or anything, he’d tell us all about it.”

After the deaths of their parents, Johanna and her sister, Rosemarie Abbott, had a difficult decision to make. They knew the property was valuable from both a commercial and an ecological standpoint. They had already received several inquiries from interested realtors who assured them they could expect a substantial profit from the sale of their land. Yet, they were aware the land was a part of the Jordan River watershed.

It contained wetlands, uplands, grasslands, and woodlands and was home to a variety of species such as coyote, deer, fox, great blue heron, and even bald eagles.

Johanna found her answer after reflecting on what she had observed while living in several different states all across the country. “I’d never been a real rampant environmentalist,” says Johanna. “But I was sure of one thing. I hated strip malls. And it seemed like wherever I lived they were always cropping up. They’re a blight.” Johanna was worried they were going to see one built right in the middle of her parents’ land if it were sold. With this in mind, she called her sister. “I told her we should give it away so it wouldn’t be used,” Johanna remembers. “It turned out she wanted the same thing.”

Johanna and Rosemarie donated the entire 131 acres to the Grand Traverse Regional Land Conservancy to be protected forever as the Cosner Nature Preserve. “Our only stipulation was that we could put the family name on the property,” Johanna explains. “We all know that, too often, nobody really remembers you after two generations. But this land was very important to my dad, and naming it after the family ensures that won’t be forgotten.”



Conservancy stating whether they plan to keep the land as a nature preserve or sell it to a conservation buyer.

Donating Land That Doesn't Have Conservation Value

Land must have significant conservation value to be appropriate for preservation. But property without conservation value – for example, a commercial building, a house, or a building lot – can also be donated to the Conservancy. The Conservancy can sell or trade the property to help fund its conservation work. The donor can take a charitable deduction for the full fair market value and avoid the capital gains taxes that could have resulted from selling the land.

Donating a Remainder Interest

A landowner can donate land but continue to live on it by donating a remainder interest in the property and retaining a reserved life estate. The way this works is that the landowner donates the property during his or her lifetime, but reserves the right to continue to live on and use the property during their lifetime (called a “reserved life estate”). Other named individuals can be included in this reserved life estate as well. As such, the landowners have donated to the Conservancy a “remainder interest” in their property. When they, or those specified, die or release their life interests, the Conservancy will have full title and control over the property.

This approach offers a number of advantages. With a reserved life estate, landowners can continue to enjoy the land, but because the deed is transferred during their lifetimes, they have the assurance that the Conservancy has accepted the land. Finally, a gift of a remainder interest is often tax deductible.

Qualifying for a Tax Deduction

The donation of a remainder interest can qualify for a federal income tax deduction. The donation of a personal residence, vacation home, or farm to any charitable organization can qualify for a deduction.

A remainder interest donation can also qualify for a charitable deduction if it is given for conservation purposes to a qualified organization. The definitions of “conservation purposes” and “qualified conservation organization” are the same as a conservation easement donation.

The Size of the Income Tax Deduction

The deduction for donation of a remainder interest is determined by reducing the fair market value of the donated property by the value of the reserved life interest of the landowner or his designees, based on IRS actuarial tables. The more life tenants there are, and the younger they are, the lower the value of the remainder interest and, hence, the lower the income tax deduction.



Tax Deductions for Remainder Interests

If a single donor age 80 gave a remainder interest in her \$200,000 home to the Conservancy, reserving the right to use the property for her lifetime, her federal tax charitable deduction would be \$128,570 (64% of the value of the property, from current IRS actuarial tables using the IRS discount rate in effect for April 1999). Here are examples of how the deduction would be valued under other circumstances:

Donor and spouse (both 80): \$106,960 (53%)

Donor (65): \$82,928 (41%)

Donor and spouse (both 65): \$58,464 (29%)

Charitable Gift Annuity

Under certain circumstances, donations of property can also be the basis of an income stream for the donor through a charitable remainder trust or charitable gift annuity.

Donating Land by Will

Some landowners prefer to continue to own and control their land during their lifetimes, transferring the land to the Conservancy at the time of their death. This kind of donation is called a donation by will or by devise.

Before writing the devise into your will, you should make sure the Conservancy is willing and able to receive the gift. It is also important to have an agreement with the Conservancy about the future use of your property once it is transferred to the Conservancy. For example, is the land suitable to be used as a nature preserve? If not, can the Conservancy restrict the land with a

conservation easement and sell it to a conservation buyer? If the land is suitable as a nature preserve, you may also want to consider a cash donation by will to assist the Conservancy with its long-term maintenance and stewardship costs.

It can be a good idea to name an alternate recipient (whose agreement also should be secured) in the event that the Conservancy is unable to accept the gift after your death. If you want to be sure the property is managed or used in a particular way, you could specify in the will that if the primary recipient fails to use the land as specified, the property transfers to another named organization.

Placing the donation in your will, rather than donating the land during your lifetime, means that you receive no income tax benefits from your gift and you will continue to be liable for property taxes. By the same token, removing the value of the property from your estate could significantly reduce estate taxes.

Get Independent Advice

The Conservancy can provide an array of information and assistance, but there are a number of things we cannot do. We cannot provide legal or financial advice or guarantee that a particular conservation plan is best for your personal and financial circumstances. We cannot state unequivocally that a particular conservation easement will qualify for a tax deduction or say how much the deduction will be. You should obtain your own independent advice from knowledgeable attorneys and financial advisors, while recognizing that you are responsible for the final decision.



“Instead of worrying about all of the areas being bought up for commercial use, why not become part of the solution?”

———— Betty Mitchell, donor of property with a reserved life estate ————

Betty Mitchell fell in love with Crystal Lake when she was only three years old, and her strong feelings for this pristine body of water and the surrounding area have only deepened through the decades.

As a young child, her family had a summer cottage in Crystalia, which Betty ultimately left to her own children when she and her husband decided they needed a more permanent, winterized home. They then moved across the lake to a beautiful waterfront home in Beulah, where Betty still returns to live from May through September.

In 1997, her love for northern Michigan’s unparalleled beauty and her kindness of spirit inspired her to make the Grand Traverse Regional Land Conservancy the recipient of a most generous gift: her reserved life estate.

“It seemed a very natural thing for me to leave my house to the Land Conservancy. It was a little like having your cake and eating it too. I love this region and was alarmed at the rapid growth, and I liked the way the Conservancy was going about with its planning to buy prestigious land to

be preserved for generations to come.

“Instead of worrying about all of the areas being bought up for commercial use, why not become part of the solution? I would leave my house in good hands. In so doing, I knew they would sell it to a good and caring family who would continue to enjoy it as I have. Hopefully, those people would become members of the Conservancy, causing a chain effect. With the money the Conservancy receives from the purchase, they will be able to buy some beautiful property or those necessary wetlands. In the meantime, I will live in my home as long as I wish to.

“Since my decision to leave my house to the Conservancy, my life has taken on another dimension. For those who haven’t decided what they want to do with their house and property, I recommend the Regional Land Conservancy. Your house will be in good hands and you will be part of the solution.”



Selling Land

Bargain Sale

One alternative to a fair market value sale is a bargain sale, in which the land is sold at less than its fair market value. A bargain sale combines the income-producing benefit of a sale with the tax-reducing benefit of a donation. It can also avoid the expenses of a sale on the open market. The difference between the land's appraised fair market value and its sale price is considered a charitable donation to the Conservancy, and can be claimed as an income tax deduction.

In cases where paying the fair market value of the property would not be possible, a bargain sale may bring the price down to one the Conservancy can afford. Some government agencies also purchase land through bargain sales.

A gift to the Conservancy of land subject to a mortgage is also considered to be a bargain sale. It is treated, for income tax purposes, as though the amount owed on the mortgage were paid by the Conservancy to the landowner.

For any bargain sale, the donor's intent to contribute the fair market value of the donated property in excess of the sales proceeds should be put in writing. For example, a clause could be included in the purchase and sale agreement recognizing that the value of the property is substantially higher than the sale price and expressing the seller's intent to make a charitable contribution to the buyer. Alternatively, a letter could be sent to the donee prior to closing the transaction expressing the donor's intent.

As for any gift of property greater than \$5,000,

the value of the asset must be substantiated by a qualified appraisal in order to receive the deduction.

Option to Purchase

Sometimes a landowner is interested in selling his land to the Conservancy, but the organization does not have the funds to buy it immediately. He might then give or sell the Conservancy an option to buy the property. Under an option, the landowner and the Conservancy contractually agree on a sale price, and the Conservancy is given a specified amount of time to exercise the option. However, the Conservancy is not obligated to purchase the land.

During the option period, the land cannot be sold to any other buyer. This gives the Conservancy time to raise the necessary purchase funds. It also enhances the Conservancy's fundraising; people may be more interested in donating when they know that the money is going to protect a specific piece of land at a specific cost.

Right of First Refusal

If you are not ready to commit to selling your land, you might still grant a "right of first refusal" to the Conservancy. This gives the Conservancy the opportunity to match any *bona fide* offer you receive. As with an option, a right of first refusal does not obligate the Conservancy to purchase the land.

The problem: When a woman took a job in another state, she and her husband decided to sell the farm they had owned since the fifties. They hoped to sell it to the Conservancy rather than to a developer (both had expressed interest in the property), but the Conservancy couldn't come close to matching the developer's offer. And although the couple wanted to see the land preserved, they couldn't afford to donate it.

The Solution: The couple agreed to sell their land to the Conservancy through a "bargain sale" in which the property was sold for less than its fair market value. The income from the sale, combined with tax advantages that result from a bargain sale, provided the financial benefits the couple needed, and the land came under the protection of the Conservancy.

Acceptance Criteria for Conservation Easements

Land that contains an occurrence of rare, threatened, or endangered species or land that meets the following criteria shall be recommended to the Grand Traverse Regional Land Conservancy's board of directors for approval.

Category A:

1. Land is 40 acres or more.
2. Land is adjacent to land already protected by the Regional Conservancy.

Note: If the land meets only one of the above criteria in Category A, it must also meet one of the following criteria in Category B. If the land meets neither criterion in Category A, it can be accepted if it meets a minimum of three criteria in Category B.

Category B:

1. Land is within, or adjacent to, a federal, state, or local forest/park boundary.
2. Land has ecologically-important frontage or contains more than 500 feet of frontage on a body of water such as a lake, pond, river, or stream.
3. Land is consistent with a federal, state, or local conservation program such as a township or county master plan, a state-designated scenic highway, or a federally-protected shoreline or watershed protection program
4. Land contains a wetland that is ecologically viable (an identifiable and sustainable natural community).
5. Land contains habitat for rare, threatened, or endangered species.
6. Land is a major trail corridor or has significant public recreational opportunities.
7. Land provides important wildlife habitat or a wildlife corridor as identified by wildlife experts.

8. Land has a site that offers the general public a scenic view, such as a "scenic turnout."

9. Land is within a scenic corridor from a well-traveled public road, lake, or river.

10. Land is farmland that is of regional significance and has been classified as having "prime" or "unique" soils under criteria set forth by the U.S. Department of Agriculture Soil Conservation Service.

11. Other (public relations, fund-raising, or land that may serve as a focus for future land protection efforts).

Note: There are certain considerations that may lead to the Regional Conservancy board's decision not to pursue a potential project. While the following list is not all-inclusive, it does give some indication of whether or not to go forward with a potential project:

- Land is part of, or adjacent to, a development that is likely to have an adverse impact on the conservation values seeking to be protected.
- Landowner insists on provisions in the conservation easement that would significantly diminish the property's conservation values or the Regional Conservancy's ability to enforce the easement.
- The easement would be unusually difficult to monitor/enforce due to multiple or fractured ownerships, high likelihood of destructive trespassing or dumping, and/or probable hazardous waste contamination.
- Due to the potentially controversial nature of the easement, it may significantly detract from the Regional Conservancy's ability to achieve its goals.

All of the preceding notwithstanding, the Regional Conservancy board of directors retains discretion over accepting or rejecting conservation easements and will review each proposal on a case-by-case basis.

Criteria for Land Acquisitions

The Conservancy owns and manages land as one way of meeting our mission of “Protecting land now and for all future generations.” Conservancy-owned land is categorized as follows:

Preserves. Conservancy-owned land suitable for public access, which may include recreational development of trails, overlooks, etc. Land is managed primarily for ecological goals but has a recreational component.

Sanctuaries. Conservancy-owned lands that are protected for their exceptional and/or fragile ecological characteristics and are not suitable for widespread public access.

Reserves. Conservancy-owned “working lands” with active management for ecological restoration or sustainable forestry and/or agriculture. These projects may also have educational, recreational, and economic goals.

Determination of which of the above categories best represents each Conservancy-owned parcel is based on the Acquisition Criteria that define the parcel. All properties considered for long-term Conservancy ownership must meet the Acquisition Criteria as defined below:

Acquisition Criteria:

1. The Conservancy must have the necessary resources to meet both its long and short-term stewardship responsibilities for any land acquisition; and,
2. Land must meet the majority of the items listed below:
 - Site provides valuable educational, recreational, or scenic attributes.
 - Site is in an identified area of importance.
 - Site provides public access to native natural features where such access is currently non-existent or underdeveloped.
 - Site supports species listed as state or federally endangered, threatened, or of special concern, or other regionally significant species.
 - Site supports a high quality and sustainable floral community of diverse species.
 - Site provides seasonally significant habitat – e.g., breeding birds, migration corridor, etc.
 - Site contains greater than 500 feet of undisturbed lake or stream frontage.
 - Site contains rare or unique natural features such as an entire inland lake.
 - Site is uncharacteristically large for the region. For example, it exceeds 320 acres in size.

- Site will enhance an existing Conservancy-owned (or other) preserve, sanctuary, or reserve.
- Site has good public access including access from a public road and a suitable site for parking.
- Site provides a corridor between ecologically significant parcels of protected land or land likely to be protected by the Conservancy in the future.
- Site provides viable opportunity for sustainable resource extraction while sustaining natural communities (for Reserves only).
- Site is free of human-made structures, or the Conservancy has identified resources and flexibility to manage, sell, remove, or demolish buildings or other structures in a manner according to its mission.
- Conservancy ownership of this land would enhance the Conservancy’s geographic representation within its service area.
- Conservancy ownership and/or proposed management is supported by the local community.

The Conservancy is under no obligation to accept land and may reject any such conveyance at its sole discretion. Properties meeting one or more of the following criteria are generally unsuitable for Conservancy ownership:

- Land does not have significant conservation value.
- Land could be protected equally or better by another method such as a conservation easement, conservation buyer, public ownership/management, etc.
- Land presents unreasonable liabilities to the Conservancy (buildings, hazardous waste, access/safety issues, etc.)
- Land is better suited for federal/state/local government ownership, given public ownership patterns.
- Land is too small to meet conservation objectives (typically less than 40 acres).
- Land does not have legal access.
- Conservancy ownership could not adequately protect natural features on the land because land has severed interests (minerals, timber, etc.), or conveyance is subject to donor/seller limitations that inhibit the Conservancy’s ability to manage the land in accordance with its mission.
- Land does not have significant native species.
- The Conservancy has enough preserves of this type/location.



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