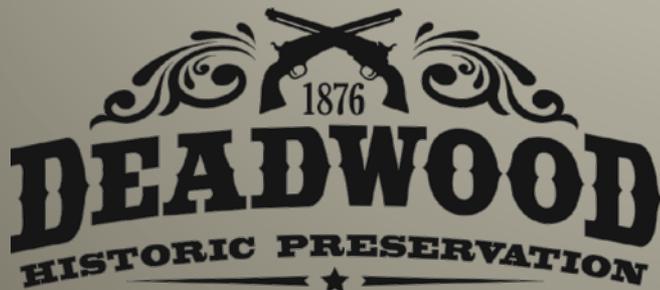


Basics of Conservation Easements

within the
National Historic Landmark District

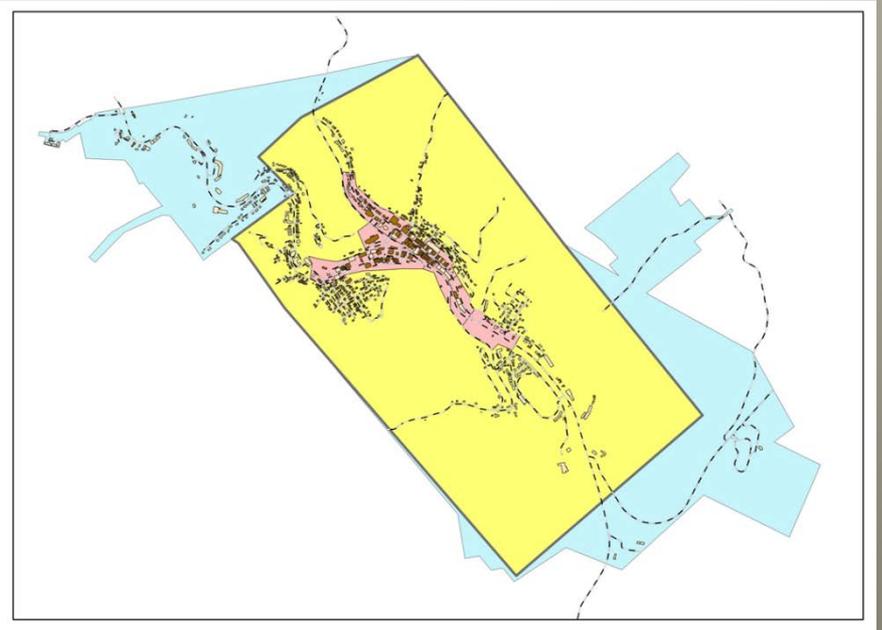


Historic Preservation & Deadwood

- Deadwood Historic Preservation Commission
 - Work with property owners, preservation partners, as well as the general public to preserve, promote and protect our historic resources along with its rich and unique past
- 2018 City of Deadwood Comprehensive Plan
 - Protect the scenic, historic, and small city character and will emphasize and preserve the community's historic past for future generations.
 - Develop and nurture Deadwood's residential areas, provide high quality community services and facilities, and support the enhancement and protection of our recreational and cultural amenities.
 - Develop a set of development standards that protect citizens and property from natural and man-made hazards, and policies that protect water quality and the natural environment.

Why Protect Deadwood's National Historic Landmark

- Protection of the resource benefits the public:
 - **Historical Significance** of Deadwood on a National, Statewide, and Regional level
 - **Scenic View Sheds** provide quality of life; maintain characteristics of mountain community; promote recreational and heritage tourism
 - **Recreation and Parks** offers public access to outdoors; healthy lifestyles; pleasure and enjoyment; and outdoor education



What is a Conservation Easement?

A voluntary, legal agreement between a landowner and a conservation organization or government agency that permanently limits a property's uses in order to protect the property's conservation values

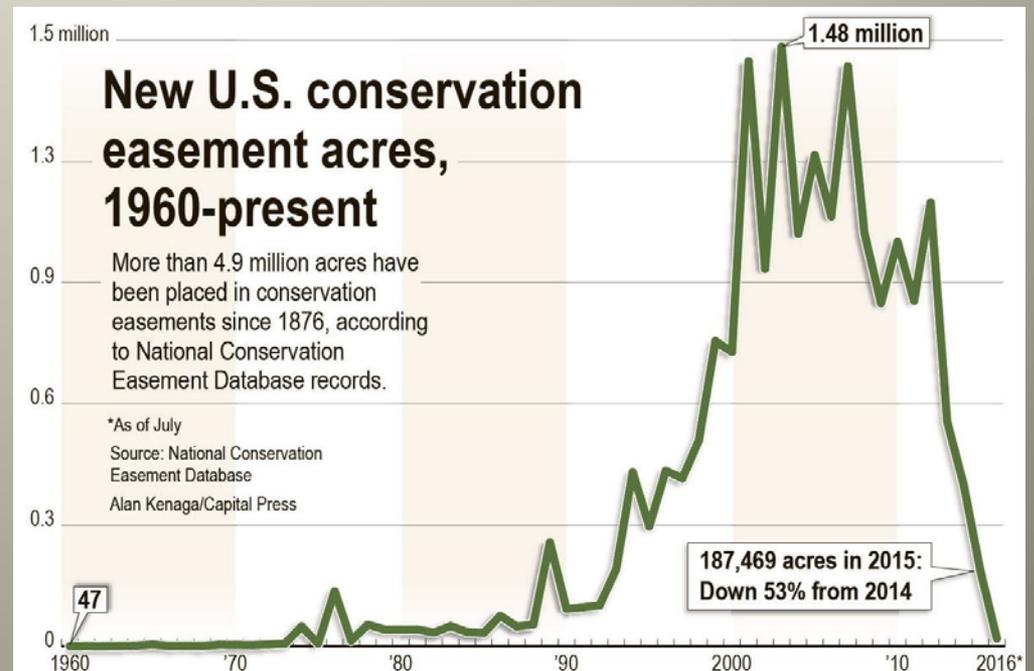
Deadwood's Conservation Values:

- Historically important areas
- Outdoor recreation or education
- Relatively natural habitat
- Open space/scenic views



The Basics of Conservation Easements

- Voluntary agreements
- Landowner retains title to the property
- Perpetual and Runs with the land
- Recorded in the property records
- Created under both state and federal law
- Meant to restrict certain uses in order to protect certain resources



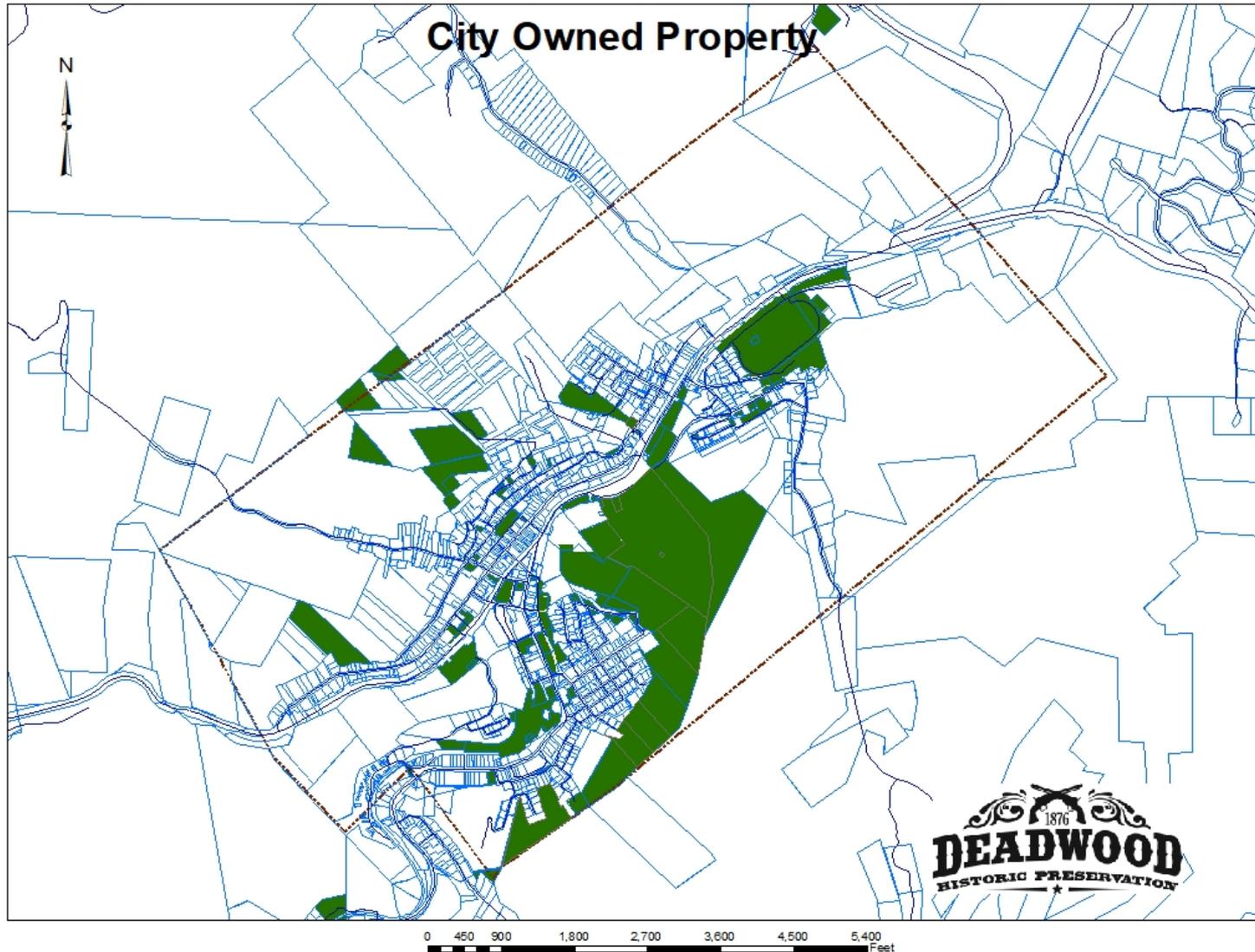
Conservation Easement Options

- Outright Purchase of Land
- Purchase Conservation Easement / Development Rights
- Accept Donations of Conservation Easement and/or Development Rights
 - governed by IRS regulations – must be perpetual to qualify for a deduction
 - Get an appraisal, preferably from an appraiser who has experience appraising conservation easements



The most popular and widely used tool for protecting private land across the United States is the Conservation Easement

Purchase of Land



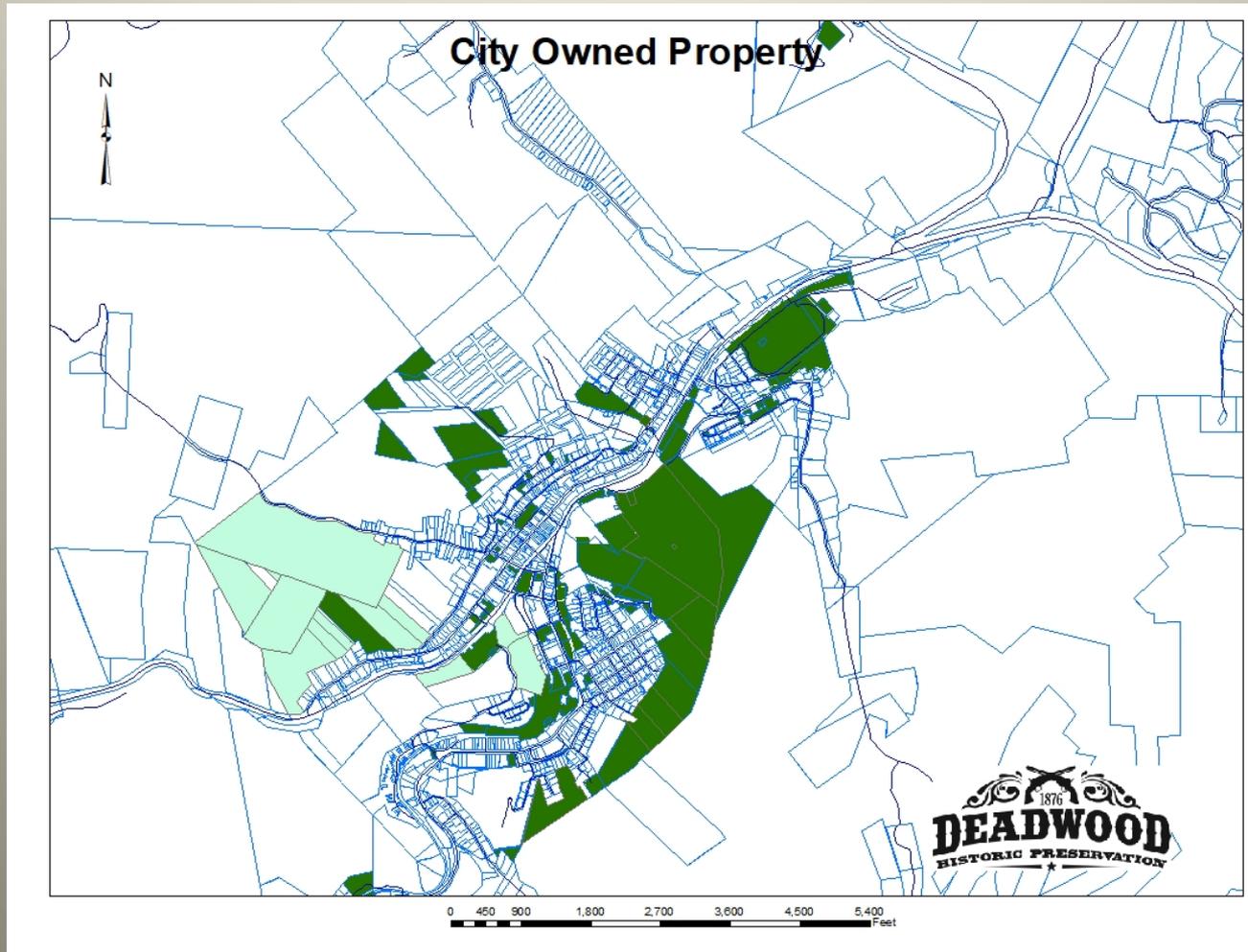
Purchase of Conservation Easement

- Deadwood Conservation Easement Program



Donation of Conservation Easement

- Possibly McGovern Hill & Fuller Bros. Property



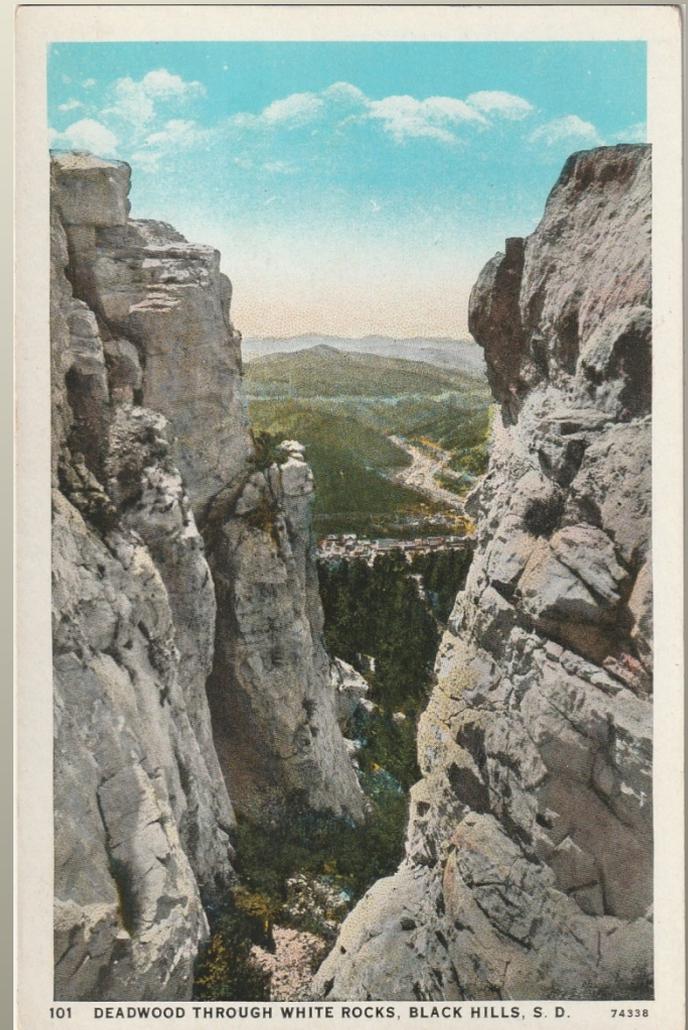
Conservation Easements

What a conservation easement does...

- Restricts development and subdivision
- Protects designated resources in perpetuity

What a conservation easement does NOT...

- Require public access (optional)
- Prohibit the property from being sold



Land Eligibility Requirements

Legal requirements to Conservation Easement

- Historically important areas
- Outdoor recreation or education
- Relatively natural habitat
- Open space/scenic views



What rights are typically conveyed through an easement?

- The right to develop the property -
Development Rights
- The right to subdivide
- The right to be a party to negotiations with third parties
- The ongoing stewardship of the property

Why a Conservation Easement?

- Loves / cares about the resource
- Cares about the community character
- Wants to give to future / Leave a legacy
- Not interested in developing land anyway
- Financial and/or Tax Advantages:
 - Potential income tax benefits
 - Potential estate tax benefits
 - Potential property tax benefits

Benefits of Conservation Easements

- A voluntary mechanism to protect property from fragmentation or development
- Fits long-term conservation values / goals for the community
- Income tax deduction
- Estate tax benefits
- Convert equity to cash

Drawbacks of Conservation Easements

- Projects are expensive / in the case of purchased easements, cash match isn't always available
- Take a long time to complete
- Sale of conservation easement is subject to capital gains tax
- Tax benefits are generally only available to the first generation of easement donors
- Use of property is limited for the future

Conservation Easement

The process is essentially the same for donated and purchased easements:

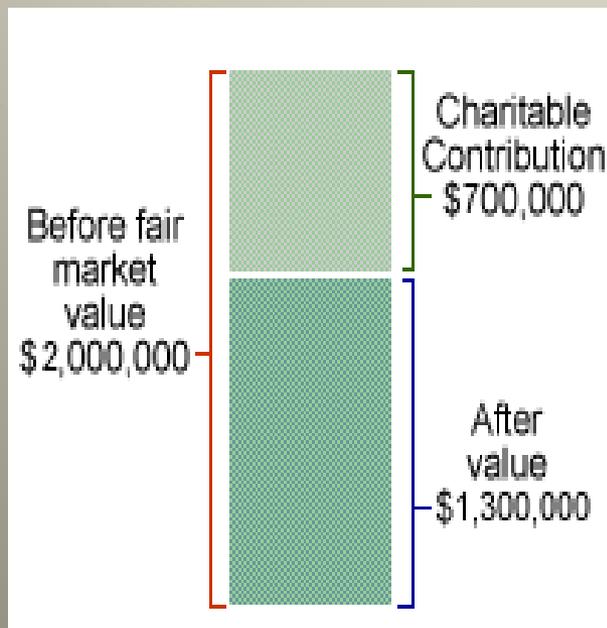
- Determine reserved rights (how many partitions will be allowed, how many “building envelopes”, etc.)
- Get an appraisal, preferably from an appraiser who has experience appraising conservation easements
- Develop a “baseline report” that documents the condition of the property at the time of the transaction

Valuation of Conservation Easements

Before conservation easement value = \$2,000,000

After conservation easement value = \$1,300,000

Value of charitable contribution = \$700,000



NOTE: The before value of a conservation easement donated within the first 12 months of purchasing a property must be your basis, or what you paid for the property.

Donated Easements: Tax Incentives

- Can deduct donation against 30% of adjusted gross income (AGI)
- Carry-forward = In addition to the year of the donation, 5 years



Tax Deduction: How it works

Let's assume that the landowner's annual adjusted gross income for income tax purposes is \$390,000, which remains constant. The deduction resulting from the easement is as follows: (30 percent of \$390,000 = \$117,000):

• Year of Contribution	\$117,000
• Carry Forward to Year 1	\$117,000
• Carry Forward to Year 2	\$117,000
• Carry Forward to Year 3	\$117,000
• Carry Forward to Year 4	\$117,000
• Carry Forward to Year 5	\$115,000



- ***Note: An enhanced tax incentive that allowed for deducting against 50% of AGI and a carry-forward of 15 years expired in December, 2009. The Land Trust Alliance is leading the effort to have this incentive re-enacted and made permanent. For more information, see www.lta.org.***

The Easement Holder

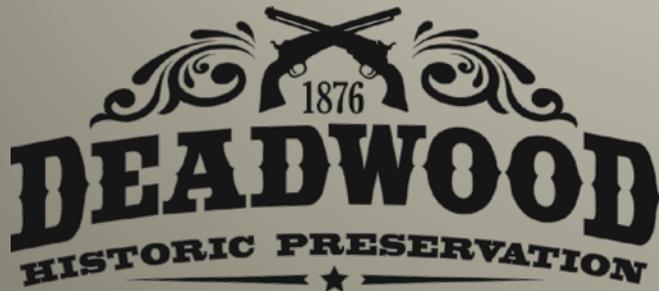
- A non-profit land trust whose mission is land conservation; or a governmental entity
- Has the right to monitor and enforce the easement
- Typically visits the property once a year to ensure that the terms of the easement are being upheld





THANK YOU

Question and Answer



Kevin Kuchenbecker, Historic Preservation Officer
City of Deadwood
108 Sherman Street
Deadwood, SD 57732
605-578-2082

kevin@cityofdeadwood.com

www.cityofdeadwood.com/historic-preservation