

THE
**ANDERSON
VALLEY
LAND
TRUST**
INCORPORATED



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DEDICATED TO THE VOLUNTARY PRESERVATION
OF THE LAND AND ITS ABUNDANT
NATURAL RESOURCES FOR THE BENEFIT
OF GENERATIONS TO COME.

GOOD DIRT

The Newsletter of The Anderson Valley Land Trust
Fall-Winter 1999

Pete and Flo Bates Donating Conservation Easement on Holmes and Nash Ranch Property

Pete and Flo Bates of Philo plan to donate a conservation easement protecting their 80-acre property before the end of this year. Sitting astride Little Mill Creek, half the property is part of the Holmes Ranch and half is part of the Nash Ranch. We applaud them for voluntarily restricting future development in favor of restoring redwood and riparian habitats and water quality.

Covered primarily by a beautifully regenerated redwood forest, the Bates family acquired the property in 1988. First logged extensively about 80 years ago, the land was subsequently managed primarily for grazing prior to being sub-divided. Some of the old wooden trestles of the logger's railway that ran up Little Mill Creek (from Mill Creek and down to the Navarro) can still be seen on the property. Zoned TPZ, the Bates forest will be managed through the terms of the conservation easement to restore a mature, complex native redwood-Douglas-fir ecosystem dominated by large trees. No more than 15% of timber inventory (exclusive of the riparian set-aside) will be able to be harvested in any one decade.

Welcome Margaret Baumgratz!
AVLT Hires First Manager
(See page 3 for more)

Little Mill Creek is an important part of the network of salmon habitat upstream of the Navarro. Mill Creek is home to steelhead and has historically supported threatened coho salmon. It was identified in the Navarro Watershed Restoration Plan as a priority for salmon restoration in the mainstem Navarro basin. The Bates are committing themselves to maintaining riparian forest canopy, crucial to streambank stability in the steep gradient of the Mill Creek drainage, and to the cool water temperatures required of coho. Within 150' of Little Mill Creek timber harvest will be prohibited by the conservation easement. They are also prohibiting development of water supplies from the creek and other alterations to its hydrology. To minimize sediment production, and better maintain soil stability, no new roads can be built in the riparian set-aside areas or on steep slopes.

Other noteworthy terms of the Bates conservation easement include a prohibition on subdivision or other break-up of the property; and the construction of any new residences in addition to the existing main house and a cabin down near the creek, unless one of those buildings is destroyed or removed. (If the creek cabin is destroyed, it will be rebuilt on another portion of the property.) Most commercial uses are also prohibited.

We hope that Pete and Flo inspire their neighbors in the Holmes and Nash Ranches to consider how creating a conservation easement might benefit them and the whole community. Neighbors within watersheds such as Little Mill Creek might want to join together to protect and restore salmon habitat. Some landowners might decide to "up-zone" their properties to protect against changes in minimum lot sizes, or to prevent high impact land uses in the future. Still others might want to ensure lasting open space.

In our next issue we will interview Pete and Flo to learn more about what their goals for their land are and how they went about creating their conservation easement. They have graciously offered to host an open house at their property in the spring so anyone interested can meet them and see what the conservation easement means "on the ground." Details in the next issue of *Good Dirt*.

AVLT Board News

Two new members were elected to AVLT's Board of Directors this year: **Karen Altaras and Anne Rogers**. Karen is known to many as the owner of the Rookie To Gallery, an Anderson Valley landmark. When Karen moved here in 1971 she couldn't believe her good fortune in finding the Valley. "This was the most incredibly beautiful place I'd seen," she commented recently. "Before we moved, I would spend every weekend escaping to rural areas, but here I found my special place." In joining the AVLT Board, Karen looks forward to working with the community and landowners to develop more understanding of how each of us can contribute to saving the specialness of the Valley, and how each property contributes to the whole fabric here. As a hiker, she is also focusing on helping develop plans for a trail along the valley floor, and perhaps along a ridge line, as well.

Anne Rogers is one of the most well-known voices in Mendocino, as she is a long-time KZYX Board member and programmer.. For KZYX she hosts one of the very popular classical music shows (and is also a formidable fundraiser!). She and her husband Kent first came to the Valley in 1988. Stopping at Gowan's fruit stand, she looked around and thought, "This is it!". Checking it out further through the winter (camping in Hendy Woods in the rain), she *knew* it was where they wanted to be. Anne feels AVLT makes a special contribution through helping landowners protect their lands voluntarily, noting, "I want to help people see the magic of the Valley and work to protect this special legacy for generations to come."

We welcome Karen and Anne to the Board, and know they bring great energy and talent to accomplish our goals!

As the Millennium approaches, please give generously to the Anderson Valley Land Trust

Your contribution means more than ever now that we've made the commitment to hire paid staff. We have ambitious plans to expand our public education and our conservation services for A.V. landowners.

Please make a gift that will help conserve what we all love about Anderson Valley.

Welcome Margaret!

As AVLT has grown over the past several years, it became apparent that we were soon to need our first staff person to keep up with ourselves and not lose momentum. This year, we started searching in earnest, trying to find the right person to help us grow: organized, personable, with initiative and drive. We are delighted to have found just that person! We are very pleased to have hired **Margaret Baumgratz** to join AVLT as our half-time Program Coordinator. Margaret, with a BA from Sonoma State in Environmental Studies, has a particular interest in native plants and restoration as well as the conservation of working landscapes. Over the past five years, she has worked as a plant biologist with consulting firms, native plants nurseries and in landscape management. A native of the central valley, Margaret moved to Mendocino County earlier this year with her husband, a communications consultant in the wine industry.



Margaret will be instrumental in transforming AVLT from an all-volunteer effort to a more rooted enterprise. After setting up the AVLT office in space shared with the Pacific Forest Trust in downtown Boonville, her responsibilities will include: community outreach and education; conservation project coordination; working with volunteers -- especially for monitoring of our six conservation easements; building our membership; helping fundraise; and coordinating the many activities of our Board. She will also become responsible for the newsletter and will work with Maryanne Wilcox (Bookkeeper) and Gwen Brock (Administrative Assistant).

Margaret is keen to see how her restoration skills can be put to work with interested landowners in the Valley. She also sees projects like trail development as great ways to build community participation. "I am very happy to work conserving the land I love rather than developing it," says Margaret, adding, "AVLT offers a unique opportunity to work as a community to show how we can save our natural and working landscapes. I look forward to meeting our members and getting to work with them!" So, come the New Year, please give her a call and let her know how you see AVLT best assisting you to conserve the beautiful landscapes of our Valley.

- Laurie Wayburn

Leaving a Legacy of Land: THE USE OF CONSERVATION EASEMENTS IN ESTATE PLANNING

By Alan Porter, Attorney-at-Law

The grief that follows a death in the family is often compounded by the need to raise cash to pay estate taxes. For families with rural real property, this stress can be heightened by the cold, hard reality of the loss of the family farm, ranch or timberland. Conservation easements are an attractive estate planning tool that can lessen or eliminate the estate tax that can otherwise lead to the sale of family lands. Recent changes in the estate tax laws can make conservation easements even more appealing.

A conservation easement creates perpetual restrictions on a piece of property. These depend on the goals of the landowner and the nature of the property, but can include restrictions against subdivision or commercial development, limitations on timber harvest or the construction of houses. Typically, the landowner grants these restrictions to a land trust in a deed of conservation easement. While the land trust holds these rights, they are prohibited from exercising them. The conservation easement does not prevent the property from being used. Often, the current uses are permitted and may even be expanded if they are compatible with the conservation goals of the easement.

The conservation easement results in a reduction in the *fair market value* of the property, so that value only reflects the uses the landowner desires to continue. The extent of this "down-valuing" will depend on the extent of the restrictions imposed. The down-valuing is determined by a comparison of an appraisal of the property "before" the conservation easement, and an appraisal of the property "after" the conservation easement. The difference is the key to the tax savings afforded by conservation easements.

The federal estate tax rates are breath-takingly high, starting at 37% for estates over \$675,000 (in 2000) and progressing to 55% for estates over \$3 million. The estate tax applies to the fair market value of assets in a decedent's estate. The down-valuing caused by a conservation easement is a reduction in fair market value. So, how does a conservation easement save taxes? In three ways:

First: If created during the lifetime of the landowner, the conservation easement provides the landowner with a current charitable income tax deduction equal to the reduction in the fair market value of the property as determined by the "before" and "after" appraisals. This income tax deduction can be carried forward up to 5 years if the landowner can't use it all in the year of donation.

Second: Upon the death of the landowner, the property is valued for federal estate tax subject to the conservation easement. Generally, this will reflect the lower, "after" appraisal (actual values may change between the date of creation and the date of death). As a result, the estate tax is often dramatically reduced, in proportion to the reduction in value caused by the conservation easement. Further, these tax savings occur at the estate's highest estate tax brackets.

Third: Under the 1997 tax act, landowners are given a significant new encouragement to establish conservation easements on their lands. In addition to the income tax and estate tax savings mentioned above, the landowner's estate may exclude from the taxable estate a portion of the value of land that is subject to a conservation easement. This exclusion applies to the already-reduced value of the land and applies at the estate's highest brackets. When the exclusion is fully phased-in, it will permit the exclusion of \$500,000 of the value of the land. (The year 2000 exclusion is \$300,000.) Yes, there are several requirements to qualify for the exclusion, based on the location of the land and the ration of value reduction caused by the conservation easement, so the exclusion is

not automatic and must be reviewed on a case-by-case basis. [However, property in Anderson Valley is likely to qualify. - Editor]

Here is an example of the possible tax savings. Mary is a single person, either a widow, divorced or never married. Mary owns the following assets:

\$ 200,000 cash and stock
 \$ 300,000 residence
\$1,500,000 ranch or forest property
 \$2,000,000 Taxable estate

If Mary died in 2000 with no conservation easement, her estate tax would be:

\$2,000,000 Taxable estate
 < 675,000 > Estate Tax Exemption
 \$1,325,000 Subject to Tax
ESTATE TAX: \$560,250

Now, how is the picture different if Mary had established a conservation easement on her ranch during her lifetime? Let's assume the "before" and "after" appraisals indicate a reduction in value of the ranch of 40% from \$1,500,000 down to \$900,000.

First, Mary qualifies for an income tax charitable deduction for the \$600,000 reduction in value. The actual savings Mary receives depends on her income and income tax brackets and whether she can use up the entire deduction within her 5 year carry forward period. However, at the maximum combined income tax rates: **INCOME TAX SAVED: up to \$270,000.**

Second, upon Mary's death, the conservation easement dramatically changes her taxable estate and estate tax burden, as follows:

\$ 200,000 cash and stock
 \$ 300,000 residence
\$ 900,000 ranch or forest property (after conservation easement)
 \$1,400,000 Taxable estate
 < 675,000 > Estate Tax Exemption
 \$ 725,000 Subject to tax
ESTATE TAX: \$292,250
ESTATE TAX SAVED : \$268,000

Finally, let's assume that the conservation easement on Mary's ranch qualifies for the new exclusion. The portion of Mary's estate subject to tax, and the estate tax burden are even further reduced, as follows:

\$1,400,000 Taxable estate (after conservation easement)
 <300,000 > **NEW Conservation Easement Exclusion**
 <675,000 > Estate Tax Exemption
 \$ 425,000 Subject to tax
ESTATE TAX: \$166,250
ESTATE TAX SAVED: \$394,000

In this example, the conservation easement serves many purposes. It reduces the estate tax burden by 70%, thereby permitting Mary's heir or beneficiary to keep the ranch and continue to use it as it has been used in the past, without the need to sell it to pay off the estate taxes. In addition, if Mary is able to use a significant portion of the income tax deduction during her lifetime, *the grant of the conservation easement may actually save more in taxes, with income and estate taxes combined, than the reduction in value of the ranch resulting from the conservation easement.* All this, while at the same time preserving the conservation values and productive use of the ranch. Rarely are good deeds so well rewarded.

Our thanks to Alan Porter, an attorney with offices in Yorkville and San Francisco.

Community Questionnaire Response: Resource Conservation Priorities for Anderson Valley

In our last newsletter, AVLT circulated a questionnaire all landowners to better identify their conservation concerns for the Valley. We had a strong and consistent response: "Keep the Valley the way it is now!" People want to invest in restoring and protecting the Navarro watershed, especially riparian areas. They are concerned about preventing undesired growth in the Valley, especially the expansion of vineyards. Over 20% of respondents noted negative feelings about the many new vineyards coming in, and the impact on water resources (pumping water from the streams), and to fish and wildlife habitat, especially the loss of oaks. At the same time, an equal number, want AVLT to focus on conserving our agricultural lands.

For the majority, our valley's streams, forests, and fish and wildlife habitats were identified as the most important resources to protect, with agricultural and pasture lands also being significant. There was great interest in trail development, with many members wanting to learn how they could participate in this project. The valley floor, along the Navarro and its tributaries, and the ridge tops were cited as being the most desired areas for a trail. Many people wanted to learn more about conservation easements and about opportunities to participate in restoration. Others felt it was important to increase AVLT's community activities, and, given the voluntary nature of AVLT's work, help avoid more regulatory approaches to resource protection in the Valley. Respondents also noted that AVLT should participate in the upcoming revision to the General Plan for Mendocino County, to help ensure the protection of Anderson Valley's resources and way of life.

These responses are very helpful in guiding AVLT energies and projects. As a result, the Board is forming a Trails Committee, gathering information for input to the General Plan and planning to increase our focus on conserving stream areas, building on the protection provided by the Wellspring, Scharffenberger and Tallman easements. The conservation easement on Pete and Flo Bates property described in this edition of *Good Dirt* forms the base for additional protection all along Mill Creek.

We will also be increasing opportunities for volunteers to help in monitoring easements. If you are interested in volunteering for projects such as trails, or monitoring, or would simply like to learn more about how conservation easements work, please contact Margaret Baumgratz at 895- 3150.

Mark Your Calendars: **This March Vote "Yes" on Proposition 12 "California Park and Wildlife Bond Act"**

For the first time in a decade we have the opportunity to say YES to new investments in the permanent conservation of California's tremendous beauty and natural resources. Proposition 12 would authorize \$2.1 billion in bonds to protect wildlife and native plant habitat, parks and natural lands, rivers, forests, and expand trails. Funding for increased protection of salmon habitat is a high priority. This is our chance to protect prime agricultural and forest lands from development. The successful passage of Proposition 12 will ensure increased conservation from Lake Tahoe to Point Reyes to Santa Clara County; from the Santa Monica Mountains to the American River --
TO ANDERSON VALLEY.

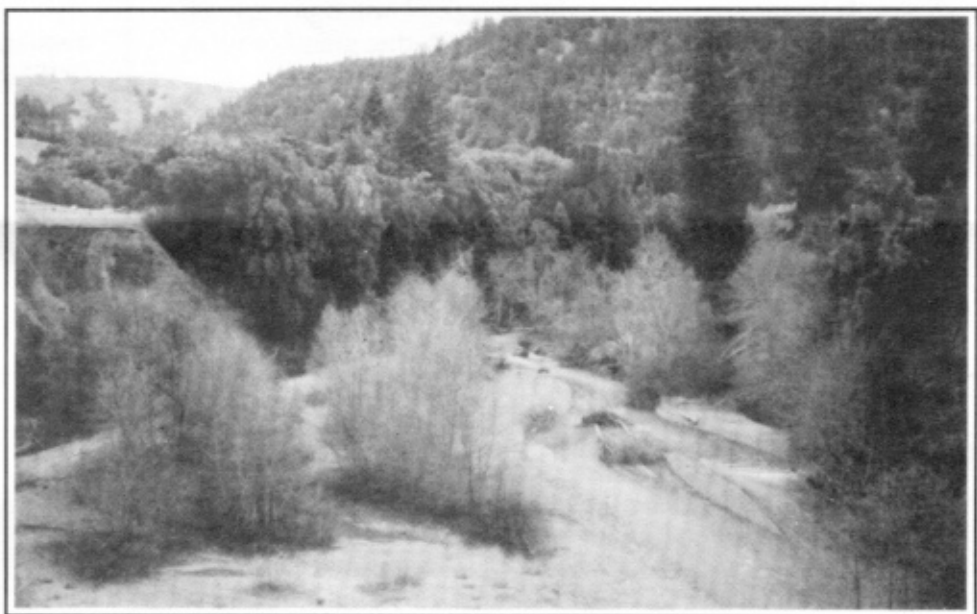
PLEASE BE SURE TO VOTE YES THIS MARCH ON PROPOSITION 12.

Conservation Easement Stewardship News:

Indian Creek Erosion Control Project at Scharffenberger Cellars

One of the conservation easements held by the Anderson Valley Land Trust is on the Indian Creek portion of the Scharffenberger Cellars ranch in Philo. The easement protects Indian Creek, its western floodplain and upper terrace above the creek, stretching to Whipple Road. There is a steep cliff above the big bend in Indian Creek as it turns to flow under Highway 128 and on to the Navarro. Considerable run-off from the ridgetops above the Scharffenberger ranch collects and flows across Whipple Road, down a field protected by this conservation easement and over the cliff. In recent years these flows have been causing significant erosion of the cliff, threatening the water quality and fish habitat of the creek below.

This summer vineyard manager Tom Hartlip contacted AVLT to propose a stabilization project to collect the water and redirect it to prevent further damage to the bluff. Tom worked with the Department of Fish and Game, AVLT and the Natural Resources Conservation Service to design the best possible method to accomplish this. Tom Schott of NRCS helped AVLT monitor the work.



A new culvert was installed to take the water under Whipple Road and into a pipe buried across the Scharffenberger field. The pipe's outlet was placed down the cliff face at a well-vegetated location. The outflows are dissipated by rebar-free concrete slabs that were recovered from the old mill that used to be located on the property. Above the concrete, native cobble cleared from the upper pasture (itself an old floodplain) is used to stabilize the bluff's slope. The work was successfully accomplished without damaging the vegetation that was already on the site.

The project was completed before the first rain in October. In a visit in early November we confirmed that there was no evidence of water streaming across the field and down the bluff face as in past years. We are all optimistic that other sites along the cliff that have been sloughing off will no longer be fed by the flows as well. Scharffenberger's staff and AVLT will continue to monitor the cliff on a regular basis. We hope that the combination of redirected flows, carefully controlled run-off, "hard armoring" and native vegetation will help protect Indian Creek for years to come.

- Susan Addison

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"Dedicated to the Voluntary Preservation of the Land
and its Abundant Natural Resources for the Benefit of Generations to Come"

___ **Yes!** I want to contribute to the preservation of the natural heritage of our valley by supporting the Anderson Valley Land Trust.

___ **I want to learn more** about the Anderson Valley Land Trust and private land conservation. Please send me additional information.

___ **I want to volunteer** my time to work with the Anderson Valley Land Trust.

Name: _____ Phone: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Membership Category:

- | | |
|--|--|
| <input type="checkbox"/> Individual (\$25) | <input type="checkbox"/> Sustainer (\$100) |
| <input type="checkbox"/> Family (\$35) | <input type="checkbox"/> Sponsor (\$500) |
| <input type="checkbox"/> Supporter (\$50) | <input type="checkbox"/> Charter (\$1000) |

Thank you!

Please mail this form and your tax-deductible contribution to:

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