



Envision Central Texas  
Quality Growth Toolbox Case Study:

**DAHLSTROM RANCH CONSERVATION EASEMENT**  
Hays County, Texas  
2011



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## DAHLSTROM RANCH CONSERVATION EASEMENT

In 2010, the Dahlstrom family completed three conservation easements on their 2,254-acre Hays County ranch in what has become a landmark conservation deal for Texas. Dahlstrom Ranch lies in the Onion Creek watershed, part of the environmentally sensitive recharge zone for the Edwards Aquifer. It is also just outside of Buda, Texas -- until recently a rural area, but now rapidly urbanizing -- where land prices have been sky-rocketing in recent years. These unique aspects of the deal made land conservation urgent and expensive, creating the need for multiple partners to fund the conservation easement purchase.

The Dahlstrom Ranch conservation easement is a successful example of how conservation can be accomplished under these challenging circumstances. The partners on this project included the Dahlstrom family led by Mrs. Gay Ruby Dahlstrom, the City of Austin, Hays County, Hill Country Conservancy, and the National Resources Conservation Service, an agency of the United States Department of Agriculture. These parties saw the value of preserving this working ranch, which provides the community with important benefits including protection of water quality and quantity, wildlife habitat, scenic views along Onion Creek, preservation of the Hill Country's rural heritage, and public recreation (on a 384-acre portion of the ranch).

Although public access is unusual on properties with conservation easements, both the Dahlstrom family and Hays County felt it was important to make a portion of the ranch available as a recreation area for the public to enjoy. Based on a plan developed by a stakeholder group led by the National Parks Service, the 384-acre Howe Pasture will be accessible to the public for recreation and environmental education.

## BACKGROUND

With a family history dating back five generations, the Dahlstrom Ranch on Onion Creek has played a big part in Hays County's heritage. In recent years, the Dahlstroms, like many other Texas families, were concerned about whether they would have to sell some or all of their land in order to pay impending estate taxes. Gay Ruby Dahlstrom felt strongly about preserving the family's heritage and legacy, so she hired attorneys Braun & Gresham PLLC to guide her through the process of creating a conservation easement.

A conservation easement is a written agreement between a landowner and the "holder" of the conservation easement. The "holder" of the conservation easement must be a governmental entity or a qualified conservation organization, in this instance the City of Austin, Hays County and Hill Country Conservancy are "co-holders" of the conservation easement. The legal term is "co-grantees." A conservation easement agreement provides the legal framework in which the landowner(s) and the qualified organization(s) agree on restricting certain uses of the property in order to conserve its natural, productive and cultural features -- in perpetuity. The landowner(s) retains legal title to the property and negotiates with the "co-grantees" what type of land uses will be allowed in the future and which land uses will be restricted. Conservation easements can also provide federal tax benefits (income tax and estate tax).

Just as a property has water rights and mineral rights associated with it, most land in Texas also has inherent development rights. The financial value of these development rights can be appraised by a qualified appraiser. The Dahlstrom family donated \$12 million of the total appraised value of the development rights: \$22 million. Donations of development rights are recognized by the Internal

Revenue Service as charitable contributions and often result in substantial federal tax benefits. The family also received almost \$10 million in cash when the conservation easement agreements were executed.

## GETTING THE DEAL DONE

The fact that numerous partners worked together on this project was the key to its success, but it also made the process more complicated and time-consuming. The partners worked together for more than two years to complete this landmark conservation deal. Following is a summary of their roles and unique requirements for the project:

- **Dahlstrom family:** Donated \$12 million of the value of the easement; wanted their entire property under easement including a working quarry, a type of land use that had never been paired with a conservation easement before. The family also wanted to allow public access, which is unusual in conservation easements on private land.
- **Hays County:** Contributed \$4.9 million; is a co-holder of the easement; wanted there to be public access to the property.
- **City of Austin:** Contributed \$1 million, as well as staff expertise and time; is a co-holder of the easement; keenly interested in protecting water quality and quantity, particularly in regards to aquifer recharge features.
- **Natural Resources Conservation Service (NRCS):** Contributed \$4 million; achieved one of their primary grant program objectives -- protecting land of archeological significance.
- **Hill Country Conservancy:** Contributed significant staff time; is the primary holder of the easement; responsible for thorough documentation, monitoring of the terms of the easement, and enforcement.
- A number of other partners such as the **Barton Springs Edwards Aquifer Conservation District, Lower Colorado River Authority, National Parks Service, Texas Cave Management Association, Texas Historical Commission** and numerous consultants were also actively involved.

The solution, hammered out over many months, was to create three conservation easements: one solely over the quarry (which was not tax-deductible), one with NRCS funding that included areas of archeological significance, and one with Hays County funding that included the public access area. Hill Country Conservancy holds all three easements, and shares easement monitoring and enforcement duties with Hays County and the City of Austin.

## LESSONS LEARNED

The Dahlstrom conservation easement project was an unprecedented collaboration between city, county and federal agencies, a ranching family, and a land trust, which made it possible to conserve a ranch in an area experiencing rapid urbanization. Here are a few lessons learned from this and other conservation easement projects.

- **Make sure everyone is at the table.** It is important for the landowner(s) and other primary stakeholders to be involved in the easement negotiations from the beginning. All family members with ownership interests and other stakeholders must be kept apprised, either directly or through an assigned family spokesperson. The Dahlstrom family was a great partner throughout the process.
- **First things first.** Before diving into the many details of the easement, each party should clearly state their objectives for the property including long term goals. Also identify sensitive features and

conservation values to be protected, and discuss which uses will be reserved or restricted for each part of the property. These preliminary steps will help to identify any potential conflicts between conservation goals, and current and future land uses. The partners should also collectively assign responsibilities, set realistic timelines and estimate project costs. One thing for landowners to be made aware of is that purchases of easements require more of the landowners' time and money than easement donations, particularly if they are grant-funded.

- **Best laid plans.** Unanticipated delays often occur during the course of conservation easement transactions, affecting overall costs as well as timelines. It is very difficult to predict all issues that will come up during a land conservation deal, such as title issues that the landowner may not have been aware of, or newly discovered environmentally sensitive features on the property. Because conservation easements are perpetual in nature, it is especially important to address every aspect of each party's goals and objectives before completing the deal.
- **Put things in perspective and persevere.** Building a legacy for the future can take a lot of time, money and patience. Keep the overall goals of the project in mind during the negotiation process, and after you've completed the conservation easement, be sure to celebrate! The Dahlstrom family hosted a fantastic party after completing the conservation easement, providing a great opportunity to celebrate the project and thank all of the partners who made it happen.

## ADDITIONAL RESOURCES

The Texas Land Trust Council has an excellent publication called "Conservation Easements: A Guide for Texas Landowners":

[http://www.texaslandtrustcouncil.org/images/pdf/conservation\\_easement\\_handbook\\_2010.pdf](http://www.texaslandtrustcouncil.org/images/pdf/conservation_easement_handbook_2010.pdf)

The Land Trust Alliance's offers a very good explanation of conservation easements:

<http://www.landtrustalliance.org/conservation/landowners/conservation-easements>

Websites of the major partners involved in the Dahlstrom transaction:

- Barton Springs- Edwards Aquifer Conservation District - [www.bseacd.org/](http://www.bseacd.org/)
- Braun & Gresham PLLC - [www.braungresham.com](http://www.braungresham.com)
- City of Austin - [www.ci.austin.tx.us/site/i\\_need\\_to\\_portal.htm](http://www.ci.austin.tx.us/site/i_need_to_portal.htm)
- Hays County - [www.co.hays.tx.us](http://www.co.hays.tx.us)
- Hill Country Conservancy - <http://hillcountryconservancy.org/>
- Lower Colorado River Authority - [www.lcra.org/](http://www.lcra.org/)
- National Parks Service - [www.nps.gov/](http://www.nps.gov/)
- Natural Resources Conservation Service - [www.nrcs.usda.gov/](http://www.nrcs.usda.gov/)
- Texas Cave Management Association - [www.tcmacaves.org/](http://www.tcmacaves.org/)
- Texas Historical Commission - [www.thc.state.tx.us/](http://www.thc.state.tx.us/)

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