

Schedule of Conservation Easement Project Costs

The following is a list of the approximate costs incurred to complete a conservation easement project. Actual costs are largely dependent on a project's complexity and may not include all of the items in this list. The costs below are only estimates and should be used for planning purposes only.

Contributions to The Land Conservancy:

The Land Conservancy (LCSLO) incurs a variety of costs for the development, management, and completion of a conservation easement project. In addition, sufficient funds must be secured to ensure that LCSLO is able to uphold its easement stewardship obligations in perpetuity. These contributions are typically paid to LCSLO by the landowner when the easement is recorded.

Transaction Contribution *3% of Easement Value or \$10,000*

LCSLO provides landowners with professional services to ensure that the conservation easement transaction is completed following the standards and practices established by The Land Trust Accreditation Commission, the national leader in conservation policy and standards representing over 1,000 land trusts across America. LCSLO staff will typically work to secure funding for the conservation easement through local, state, and/or federal grant programs. Staff will identify appropriate grant programs, develop application packages, and, if successful, manage the grant throughout the life of the project. LCSLO also develops the conservation easement language and prepares any necessary legal documentation, including Option Agreements or Purchase and Sale Agreements. Once funding is secured and the conservation easement is finalized, LCSLO will work directly with the title company to prepare closing documents and direct funds into escrow to finalize the transaction. LCSLO typically receives the Transaction Contribution from the landowner at the close of escrow. The Transaction Contribution is 3% of the appraised value of the conservation easement or \$10,000, whichever is greater. This value is typically codified in the Option or Purchase and Sale Agreement between both parties and serves to help offset the project costs incurred by The Land Conservancy while allowing our organization to further its mission of protecting special places throughout San Luis Obispo County.

Stewardship Endowment *To Be Determined*

LCSLO is legally responsible for ensuring the terms of the conservation easement are upheld by all current and future landowners and sufficient funds are needed to ensure that LCSLO is able to fulfill this obligation. LCSLO uses the Stewardship Endowment to fund annual monitoring visits and defend the conservation easement in perpetuity. Because each conservation easement is unique, The Land Conservancy calculates the value of the Stewardship Endowment based on the specific stewardship needs of each property. Factors that are taken into account when determining the stewardship budget include, but may not be limited to, the property's size, location, and current or expected land uses. The landowner typically makes this contribution to LCSLO concurrent with the close of escrow and the funds are placed in LCSLO's dedicated Easement Stewardship and Defense Fund.

External Expenses:

The following items are some of the more common external expenses incurred during a conservation easement project. Each cost is listed in approximately the same order in which it is typically incurred, and estimated cost ranges are provided to help give landowners a sense of what they can generally expect to pay for these services. Keep in mind that every easement project is unique and the timing and actual cost of each of the items below may vary. Some of the services below, like appraisals, are always required while others may or may not be required depending on the individual needs of the project. LCSLO will work closely with the landowner and any contracted professionals to ensure that all parties have complete and accurate information so that all necessary services can be performed to the highest standard.

Appraisal

\$15,000 - \$25,000+

Appraisals are used to determine the value of conservation easements and are always performed by a qualified independent appraiser. The method used to appraise the value of a conservation easement is known as the “before and after approach” to valuation. First, the appraiser will establish the current fair market value of the property based on the property’s individual characteristics, current and historical market trends, interviews with the landowner, and an on-site inspection of the property. This forms the basis for the “before” value, as in, before the easement is in place. The “after” value is the hypothetical fair market value of the property after the easement is in place and is based on the appraiser’s opinion of the extent to which the terms and conditions of the easement would reduce the value of the property on the open market. The value of the conservation easement is simply the difference between the “before” and “after” values of the property (Before Value – After Value = Easement Value). LCSLO and any potential easement funding partners cannot offer compensation in excess of the appraised easement value.

If a landowner intends to qualify for certain tax benefits by donating a conservation easement, in whole or in part, there are further appraisal requirements that must be considered. An additional appraisal is always required to substantiate the value of the donation and must be prepared by a qualified appraiser who follows both the Uniform Standards of Professional Appraisal Practice and the Internal Revenue Code appraisal requirements. The Land Conservancy will not knowingly participate in any project if it has significant concerns about the value of the easement used to substantiate any potential tax deduction.

The cost of the appraisal used to substantiate the value of a fully or partially donated conservation easement is borne by the landowner. Appraisals costs for conservation easements purchased at fair market value will be shared by the landowner and The Land Conservancy.

Mineral Remoteness Report

\$1,000 - \$3,000+

When an individual or entity other than the landowner holds any portion of the surface or subsurface mineral rights (including oil and gas rights associated with the property, then a Mineral Remoteness Report will be required before LCSLO can accept the conservation easement. Third-party mineral interests can leave open the potential for mineral exploration or development that threatens the conservation values of the property being protected by the conservation easement. A Mineral Remoteness Report is prepared a qualified geologist who must determine whether the likelihood of any entity with a claim to the property’s mineral resources exercising those mineral rights in the future. In most cases, the property’s mineral rights were severed decades ago, and the report will declare that the likelihood of any third-party mineral rights being exercised would be so minimal as to be negligible. If the report finds that there is a significant possibility of third-party mineral rights being exercised, those rights will need to be restored to the current landowner or subordinated to the conservation easement before LCSLO can accept the easement. Mineral Remoteness Report costs are borne by the landowner.

Survey and Parcel Legality Study

\$2,000 - \$8,000+

In order to accurately value the conservation easement, it is necessary to have a precise legal description of the property and to confirm the number of separate, legally conveyable parcels that will be subject to the easement. If a legal description of the property does not exist, then a qualified, licensed surveyor is used to survey the property and prepare the legal description. Additionally, if there are uncertainties as to the number of legal parcels on the property, a parcel legality study may need to be conducted. The costs associated with surveys and parcel legality studies are highly variable and can depend on the availability of existing information, the complexity of the terrain, the size of the property, and many other factors. Costs for these services are typically borne by the landowner; however, The Land Conservancy may share these costs under special circumstances.

Biological or Environmental Studies

To Be Determined

The need for biological or other environmental studies is less common, but may be necessary or desirable under certain circumstances, such as qualifying for certain grant programs. These fees are highly variable

and generally depend on the type of information needed. Depending on the specific circumstances that require the study, the cost may be borne by the landowner or shared between the landowner and LCSLO.

Title and Escrow

\$2,000 - \$3,000+

The conservation easement project is finalized when the easement document is signed and recorded in the County records. LCSLO uses a title company to coordinate the signing, notarizing, and recording of documents. The title company also oversees the deposit and distribution of funds for purchasing the conservation easement through an escrow account. Title and escrow costs are incurred at the close of escrow and are payable to the title company. These costs are shared between the landowner and LCSLO.

The table below is a summary of the costs outlined in this document:

Contributions to LCSLO	Responsible Party	Estimated Cost
Transaction Contribution	Landowner	3% of the easement value or \$10,000 (whichever is greater)
Stewardship Endowment	Landowner	TBD (Calculated based on LCSLO's anticipated stewardship costs)
External Expenses	Responsible Party	Estimated Cost
Appraisal	Shared by LCSLO and Landowner (Landowner is responsible for appraisal used to support full or partial donation if claiming tax benefits)	\$15,000 - \$25,000+
Mineral Remoteness Report	Landowner	\$1,000 - \$3,000+
Survey and Parcel Legality Study	Landowner (LCSLO may share in costs under certain circumstances)	\$2,000 - \$8,000+
Biological and Environmental Studies	Landowner (LCSLO may share in costs under certain circumstances)	TBD (depends on type of information needed)
Title and Escrow	Shared by LCSLO and Landowner	\$2,000 - \$3,000+