



In Perpetuity:

Long Term Views of Conservation Easements and Payment Structures

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Conservation Easement Background

- A conservation easement is an agreement between a landowner and a conservation group that restricts development rights on a parcel of agricultural or undeveloped land in exchange for payment.
- Conservation easements are growing in popularity: nationwide approximately 3 million acres in 2006, 8 million in 2008, 24 million in 2016.

Characteristics of Conservation Easements

- Landowner receives a lump sum payment, typically about 1/2 the market value of the land.
- Since the market value of the land is decreased, the landowner's property tax liability often decreases. This tax break is in effect a stream of annual payments.
- The conservation group is responsible for monitoring (usually annually) the parcel. The monitoring requirement is in effect a stream of liabilities.

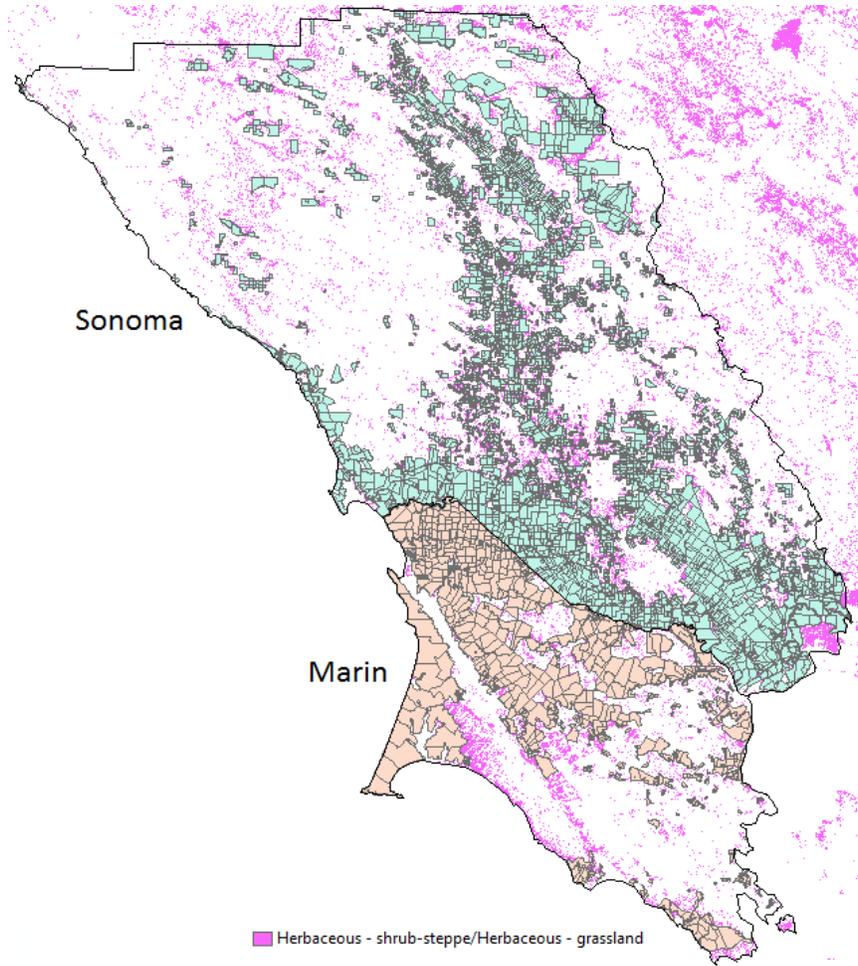
Landowner Motivation

- The landowner receives a one-time lump sum payment and long term tax benefits.
- If the landowner has no desire to develop the land, selling an easement is an opportunity to be paid to continue business as usual.
- Other landowner motivations include preservation of rural lifestyles, intergenerational financial stability, debt repayment (Rilla and Solokow 2000).

Survey

- Survey was distributed to just over 1000 owners of rangeland parcels in Sonoma and Marin Counties.
- So far, approximately 250 landowners have responded.
- Rangeland parcels were identified by a set of land characteristics on Calfire GIS maps.
- Parcel list was supplemented with parcels classified in tax assessor rolls as certain types of agricultural use.

Survey Recipients



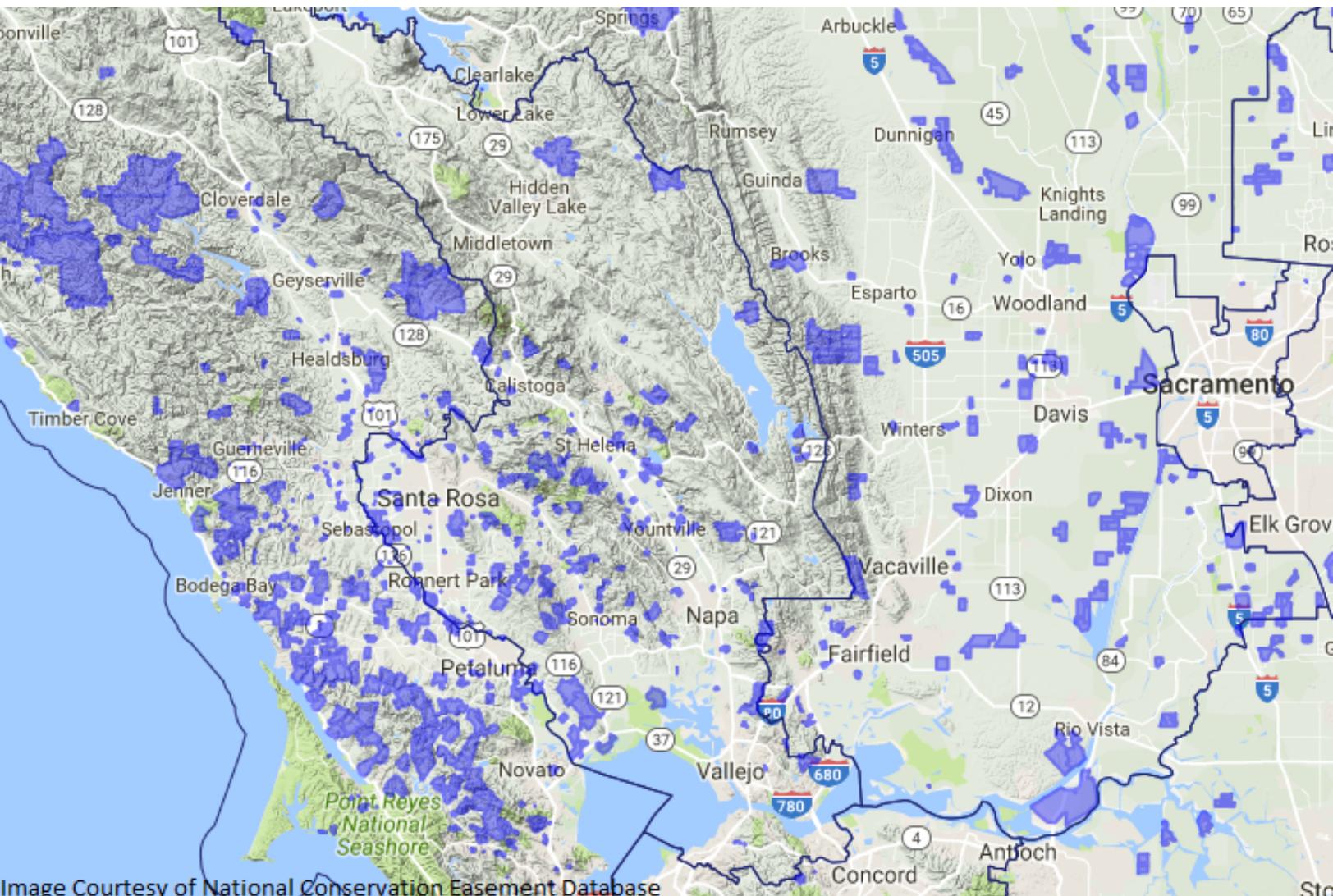
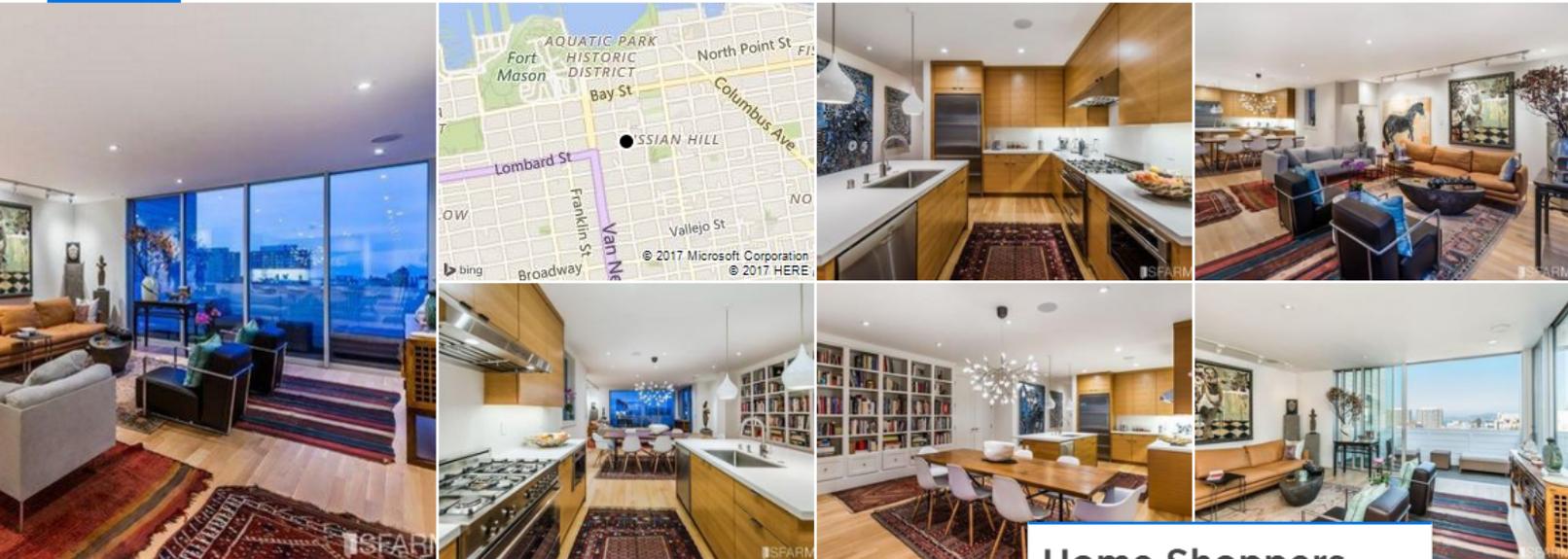


Image Courtesy of National Conservation Easement Database



San Francisco, CA 94109

3 beds · 2 baths · 1,860 sqft

[Edit](#)

● SOLD: \$3,195,000

Sold on 12/23/15

Zestimate®:

\$2,300,275

[Price this home](#)

Home Shoppers are Waiting



1079 shoppers are looking in your neighborhood and price range.

Statistic	N	Mean	St. Dev.
I am a rancher (0-10)	176	7.364	3.848
Part of a ranching community (0-10)	173	7.538	3.738
Years in ranching	145	33.334	24.834
Years family in ranching	143	65.332	44.728
Generations in ranching	142	2.704	1.717
Number of children	138	2.333	2.387
Number of children in ranching	132	0.765	1.055
Percent income from ranching	134	34.041	40.600
Preference for PERP over LUMP	122	0.081	1.793
Pref PERP LUMP, non-easement holder	102	1.471	4.485
Pref PERP LUMP, easement holder	20	-2.850	5.631

Payment Structures

Vocabulary:

- **Lump sum:** A one time payment, paid in a single installment. Conservation easements are typically purchased with lump sum payments.
- **Annuity:** A payment of a constant amount, paid annually for a predetermined number of years. For example, if you win the lottery you may choose to receive \$50,000 per year for 30 years.
- **Perpetuity:** An annuity that never expires, that is an annual payment of a fixed amount, once per year, forever.

\$10k now or \$1k per year for 10 years?

- 1 Not everybody has the same preferences between lump sums and annuities.
- 2 Organizations might have preferences that are even more different.
- 3 For almost everyone, a 1000 year annuity is pretty much the same as a perpetuity.
- 4 Taxes make all of this more complicated, especially with larger sums.

Statistic	N	Mean	St. Dev.
Preference for PERP over LUMP	122	0.081	1.793
Pref PERP LUMP, non-easement holder	102	1.471	4.485
Pref PERP LUMP, easement holder	20	-2.850	5.631

LUMP = one-time payment of \$200k

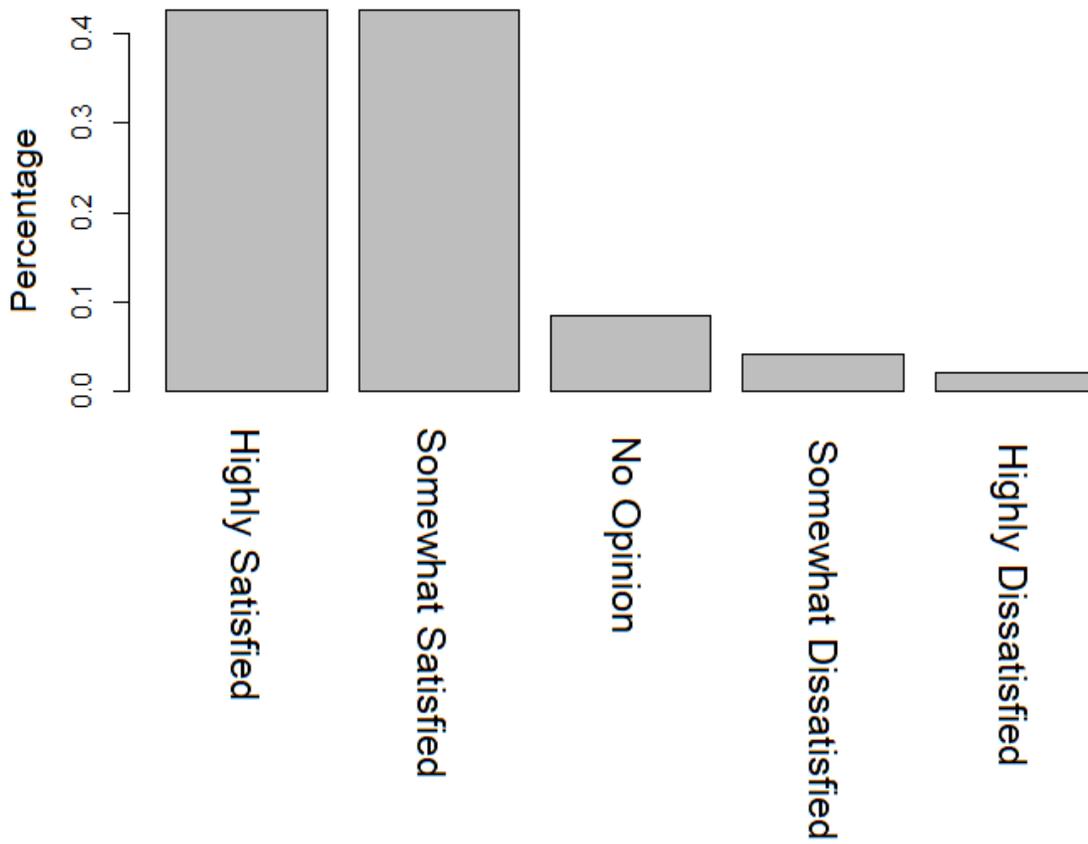
PERP = an annual payment of \$14k forever

Table: Regressions of Preference for Perpetuity over Lump Sum

Ranching community (0-10)	−0.142* (0.082)	−0.110 (0.120)	−0.229 (0.141)
Existing easement		−2.491*** (0.838)	−2.197** (0.945)
Residence on parcel		0.362 (0.770)	1.356 (0.909)
Household income			0.088 (0.476)
Children in ranching		0.279 (0.333)	0.384 (0.366)
Pct income ranching			0.001 (0.011)

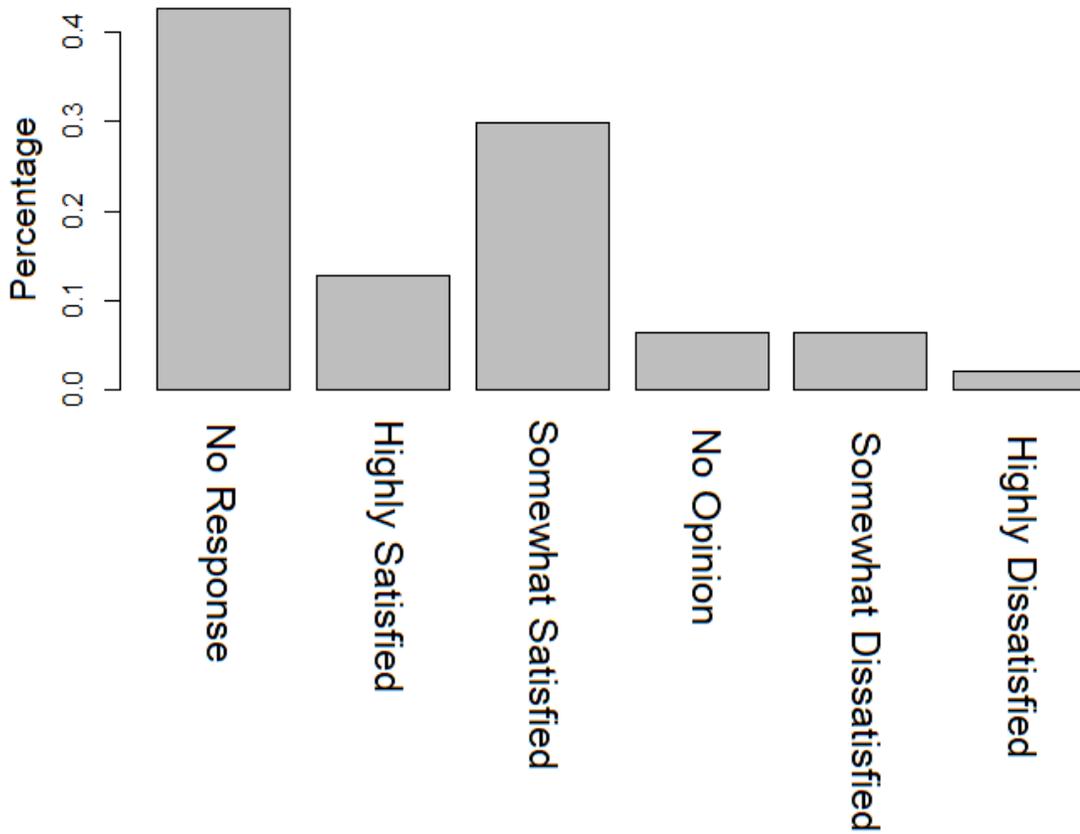
An additional purpose of the survey is to replicate a portion of the work done by Rilla and Solokow (2000).
We have collected results from 40 conservation easement holders—these are preliminary results.

Overall, how satisfied are you with the easement program?



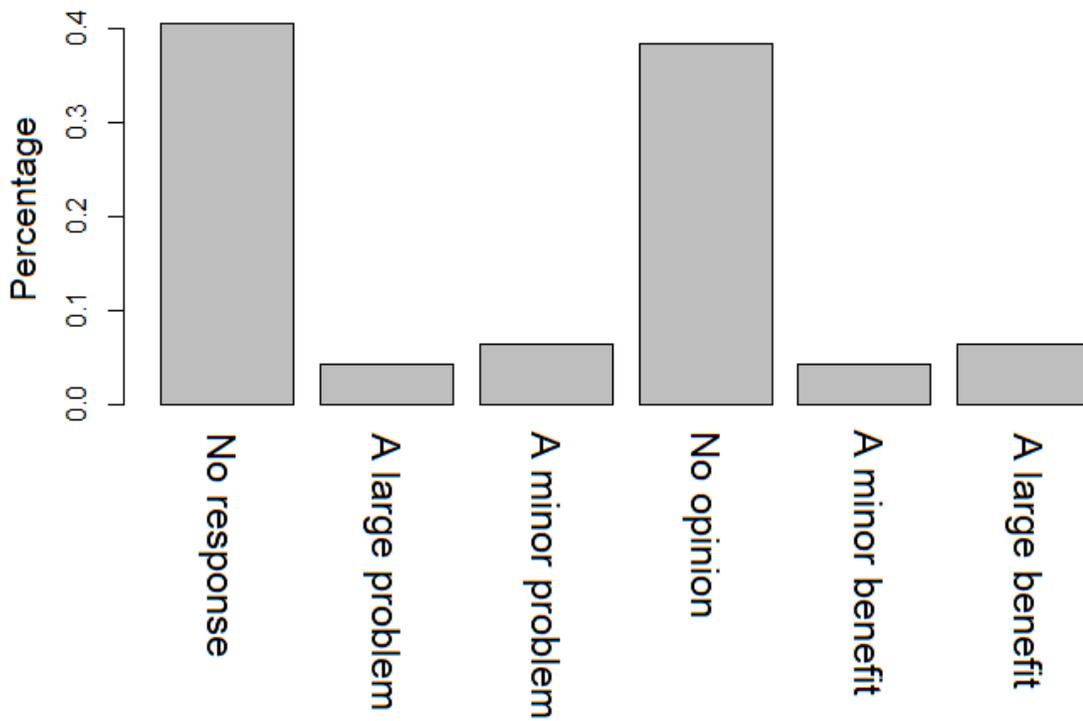
R+S (2000) report 50% satisfied, 50% unsatisfied

How satisfied were you with the experience of negotiating price? Did you get a fair price?



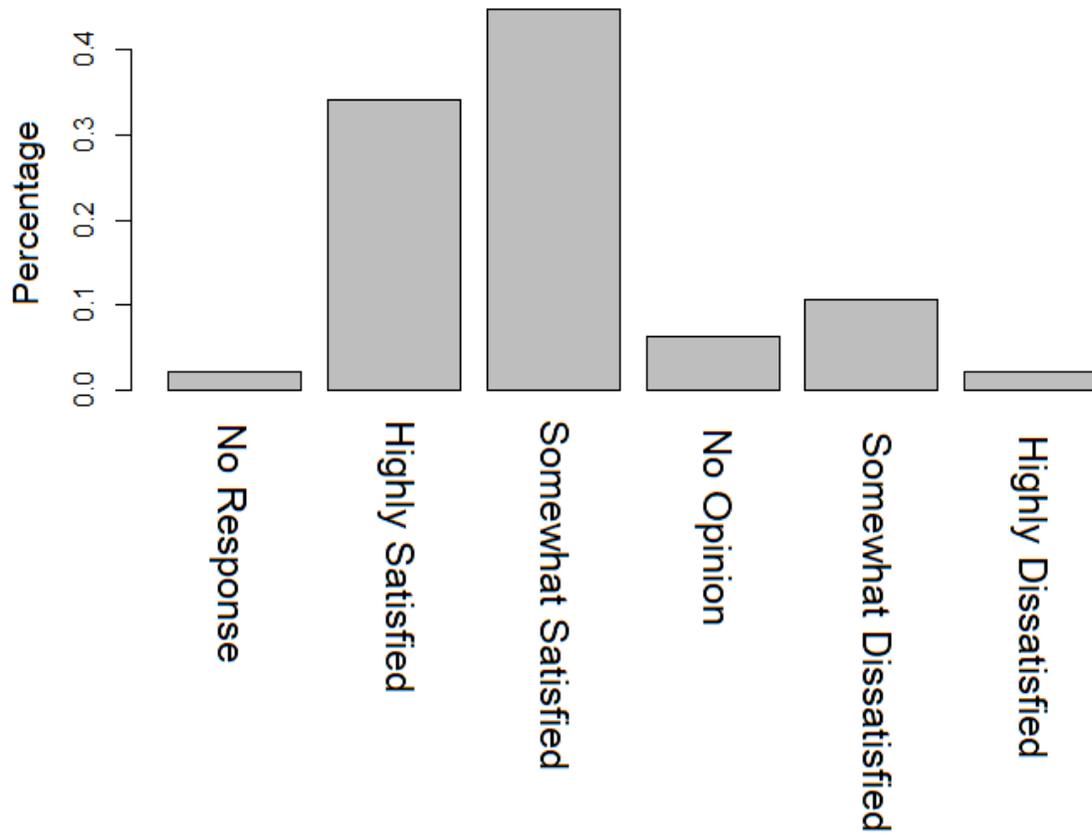
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The easement sale gave you a one-time financial benefit that won't be repeated in the future. Is this an issue for you and your family?



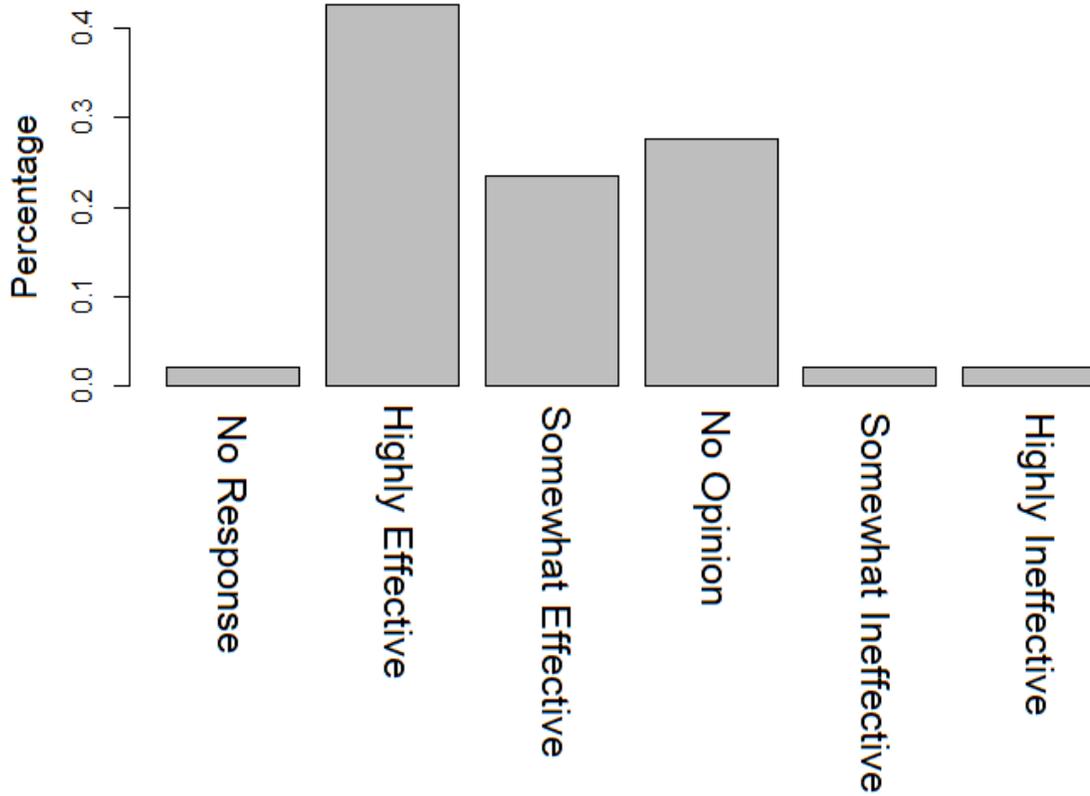
R+S (2000) do not publish responses for this question

Are you satisfied with the information that you received about the details and the consequences of the easement?



R+S (2000) report 79% satisfied, 21% unsatisfied

How do you compare the effectiveness of easements with other protection techniques?



R+S(2000) did not publish responses to this question

Easement Background
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Survey
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Payment Structures
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Perceptions
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Questions? Comments?
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