

Figure 7

Comparison of Conservation Easement Acquisition Methodologies

Cash Payment Traditional IPA Self-Funded IPA Discounted IPA

Property Details and Terms:				
	100	100	100	100
Acres				
Fair Market Value	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00
Fair Market Value Per Acre	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Initial Easement Value	\$600,000.00	\$600,000.00	\$600,000.00	\$400,000.00
Initial Easement Value Per Acre	\$6,000.00	\$6,000.00	\$6,000.00	\$4,000.00
Initial Easement Value/FMV Ratio	60.00%	60.00%	60.00%	40.00%
Interest Rate*	3.75%	3.90%	4.39%	6.00%
Term in Years	10	10	10	10

Landowner Worksheet:				
Principal Payment	\$600,000.00	\$600,000.00	\$600,000.00	\$400,000.00
Capital Gains Taxes**	\$75,000.00	\$75,000.00	\$75,000.00	\$45,000.00
Interest Payments**	\$196,875.00	\$234,000.00	\$263,400.00	\$240,000.00
Total Payments	\$721,875.00	\$759,000.00	\$788,400.00	\$595,000.00
Income Tax Deduction	\$0.00	\$0.00	\$0.00	\$200,000.00
Net Easement Value	\$721,875.00	\$759,000.00	\$788,400.00	\$795,000.00
Net Easement Value Per Acre	\$7,218.75	\$7,590.00	\$7,884.00	\$7,950.00
Net Easement/FMV Ratio	72.19%	75.90%	78.84%	79.50%

Town Worksheet:				
Securities Price	N/A	65.000%	100.000%	65.000%
Initial Easement Cost (Principal)	\$600,000.00	\$390,000.00	\$600,000.00	\$260,000.00
Initial Easement Cost Per Acre	\$6,000.00	\$3,900.00	\$6,000.00	\$2,600.00
Initial Easement Cost/FMV Ratio	60.00%	39.00%	60.00%	26.00%
Interest Cost	N/A	\$234,000.00	\$0.00	\$240,000.00
Final Easement Cost (Principal+Interest)	\$600,000.00	\$624,000.00	\$600,000.00	\$500,000.00
Final Easement Cost Per Acre	\$6,000.00	\$6,240.00	\$6,000.00	\$5,000.00
Final Easement Cost/FMV Ratio	60.00%	62.40%	60.00%	50.00%

* Interest rates based on recent market data for bonds used to finance various PDR methodologies, except for the Cash Payment model which assumes landowner's investment in tax-exempt municipal bonds rather than taxable securities for ease of comparison.

**Assumes a basis of \$100,000. Cash Payments require the deduction of capital gains taxes upfront while IPAs allow the deferral of capital gains until the end of the Term.