

# VALUATION CASE STUDY CONSERVATION EASEMENT

## The Challenge

Our client, a nature trust dedicated, amongst other things, to preserving Nova Scotia's unique bays and islands, had been offered the opportunity to further that goal by placing a Conservation Easement on a long stretch of pebble beach and its hinterland. The owner of the land was entitled to a charitable donation receipt equivalent to the reduction in the property's value resulting from the Easement.

## Turner Drake's Approach

Many provinces have a stated objective to protect part of their land mass from development so that it can be enjoyed by present and future generations. The eligibility requirements are very broad but largely focus on the preservation of endangered plant or animal species, bird and animal sanctuaries, as well as exceptional and diversified scenery. The Conservation Easement restricts the use of the land and this may result in a reduction in its value. To encourage owners of eligible property to so encumber their property, Nova Scotia provides that they can claim the reduction in the value of their property as a charitable donation for tax purposes. The holder of the Conservation Easement has to be an "eligible" body such as Nova Scotia Nature Trust, Ducks Unlimited Canada, Nature Conservancy Canada, Mi'kmaw bands, and all three levels of government. In order to encourage the process, the nature trusts shoulder the administrative burden of creating the Conservation Easement including commissioning a reliable and verifiable appraisal, measuring the reduction in value, for charitable donation purposes. Our Valuation Division is well versed in valuing recreational and resource property for Conservation Easements. We have developed a Resource Survey instrument to capture and quantify over thirty attributes for each parcel with particular reference to the ocean frontage (offshore, inshore, foreshore, backshore, bluff, beach frontage) and the backup land (vegetation cover, timber type and maturity, topography), as well as access and services availability. We have also pioneered valuation techniques to "detach" the waterfront benefit from the basic land value and CompuVal®, our proprietary information technology platform, uses a purpose designed algorithm to disaggregate each sale we utilise for comparative purposes into 27 value contributing components: water frontage (type, length), land (type, vegetation cover, timber type and maturity, area), and road frontage (length). CompuVal® allowed us to value the subject property unencumbered by the Conservation Easement by comparing it with other properties that had sold. In order to measure the depreciation in value due to the restrictive covenant we deployed CompuVal® to extract sales of other properties whose use was similarly restricted and measured the percentage reduction in value resulting from the impairment. This was applied to the value of the fee simple interest in the subject property to measure the impact of the Conservation Easement.

## Winning Results

Turner Drake furnished the nature trust with a comprehensive Master Valuation Report, containing a detailed logic path to the Market Value conclusions, and the impairment due to the Conservation Easement, all anchored by market data, for use as part of the owner's donation claim.

