



Wetland and Stream Mitigation: A Handbook for Land Trusts

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Box 11: Preparing for Perpetuity - Decision-Support for Calculating the Perpetual Costs of Stewardship

The Center for Natural Lands Management (CNLM) has developed a due diligence process and software that provide a structure for detailed and objective determination of perpetual stewardship (or conservation easement monitoring, enforcement, and defense) costs. Called the “PAR[®]” (Property Analysis Record), input data include detailed information on the acquisition transaction, conservation values and stewardship tasks, and financial parameters. Conducted with an appropriate due diligence process, the PAR software provides an estimate of stewardship costs that are also parlayed into an appropriate long-term stewardship amount. The product then provides a detailed and transparent justification for the long-term stewardship fund target, allowing discussion and revision or negotiation, as appropriate, among the interested parties.

The PAR process and software reflect four fundamental features of rigorous cost determination for perpetual stewardship:

1. **Conduct research:** As with all software, the resulting analysis is only as robust as the input data. Examples of documents that must be thoroughly reviewed prior to the cost analysis include a preliminary title report, tax document, habitat management plan, biological assessments and surveys, hydrological information (if appropriate), and documentation of the history and status of the property’s and region’s land use. It is important to investigate and consider not just the property itself, but surrounding areas; adjacent and regional land use will be the source of many, perhaps most, of the management challenges.
2. **Be comprehensive in cost inclusion:** The PAR process continues from the due diligence stage to parsing every stewardship need or responsibility into tasks and materials and inputting an appropriate, present-day cost for each. Tasks are assigned a frequency that could range from several times per year to once every 30 years. The software totals the costs to determine an average annual cost for stewardship. It is critical to ensure that all preserve-related costs are covered and either included in the cost calculation or clearly defined as being the responsibility of another entity. Expenses that should be considered include those associated with taxes, road or trail maintenance, fence maintenance and replacement, maintenance of any structures (such as buildings or constructed water conveyance features),

and biological monitoring. Costs should also consider, if relevant, easement monitoring, defense, and enforcement, as well as appropriate types and levels of insurance. If specialized skills are needed (e.g., pesticide application, listed species monitoring, input from professionals with certifications), costs should be included for contracting those services. When volunteer effort is assumed as a critical part of preserve management, ensure that costs associated with recruiting, training, and managing volunteer staff are included. Also ensure that perpetual costs of transportation are included, noting that the IRS tax rate does not necessarily cover all transportation costs.

3. Allow for uncertainty, risk, and change: The PAR software provides the opportunity to include a contingency cost to any specific materials or tasks that are considered reasonable by the manager. But in addition to the uncertainty or volatility of cost estimates, consider costs associated with change (e.g., staff turnover, technological advances, adaptive management). Depending on the organization's structure, some or all of those costs may be included in the administrative cost, but that should be specified, not simply assumed.
4. Carefully consider the financial parameters: Because the goal of the analysis is to calculate costs for perpetual management, the PAR software incorporates two tools: (1) a means of parlaying the average annual costs into an long term stewardship fund amount; and (2) a provision for allowing the long term stewardship fund to mature for some time prior to the need to draw management funds from long term stewardship fund earnings. Both of these calculations are based on parameters provided by the manager: there is no "standard." For long-term stewardship fund calculations, a critical decision is the drawdown (sometimes called the "capitalization") rate. That rate reflects the expected average annual amount that would be available from long-term stewardship fund earnings for stewardship expenses. The PAR software allows the input only of this one parameter for long-term stewardship fund calculation; it is intended to reflect—as a combined value—the long-term average inflation, earnings from investment, and long term stewardship fund management costs. The determination of the appropriate drawdown rate for the managing entity is critical. The second parameter is simply the number of years where management tasks are expected before earnings can be drawn from the long term stewardship fund. Because this is factored into the PAR software as separate annual budgets for each of those years, the manager can also include any initial costs (such as contracting for a survey, documenting baseline conditions for a conservation easement or constructing a fence around the property).

Finally, as with any software—and as emphasized here by partnering the PAR software with the PAR process—the due diligence, decisions and input data are more important than the software. It is the integrity and thoroughness of those thought processes that will largely determine whether the financial estimate for stewardship is adequate and durable and hence whether the preserve resources are appropriately protected.¹

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¹ The "PAR" is copyright-protected software developed and sold by the Center for Natural Lands Management.