

**Appraisal:** A valuation of property conducted by a professional real estate appraiser. An appraisal usually involves the comparison of similar properties that have recently sold to determine the value of the subject property. Landowners who donate some or all of the value of a property's rights must have a qualified appraisal to be eligible for federal income tax benefits.

**Appraisal Report:** The Internal Revenue Code requires a "qualified appraisal" prepared by a "qualified appraiser" for gifts of property, including Conservation Easements, valued at more than \$5,000.

**Assessor Parcel Number (APN):** A unique number assigned to each parcel of land by a county tax assessor. The APN is based on formatting codes depending on the home's location. The local government uses APNs to identify and keep track of land ownership for property tax purposes.

**Bargain Sale:** The sale of a conservation easement or land in fee simple title to a land trust or other qualified holder for an amount less than the appraised fair market value. Selling land at a bargain sale rate may enable the landowner to receive certain tax benefits.

**Baseline Documentation:** A collection of photographs (ground and aerial), maps and other descriptions of a property that is compiled at the time of the conveyance of a conservation easement. The baseline defines the condition of the property; both the grantor (landowner) and the grantee (receiver, person or organization) sign the document agreeing to its contents as an accurate representation. The baseline is used for annual monitoring and if necessary enforcement of easement terms (if applicable).

**Bequest:** A gift made through a person's will. Land can be given in this manner in which the value of the land is excluded from estate tax calculations.

**Capital Gains:** Profits made from the sale of land and are calculated using the difference between the original cost of the land and the selling price.

**Chain of Title:** A history of conveyances and encumbrances of a property from some starting point, whereby the present owner derives title.

**Charitable Contribution:** A gift of cash or property to a tax-exempt 501(c)(3) organization). In most cases, the donor can take an itemized tax deduction for their contributions.

**Closing:** Completion of a transaction conveying real property from one party to another. For mortgage loans, the process of signing mortgage documents, disbursing funds, and, if applicable, transferring ownership of the property. It also includes the signing of documents such as deeds, mortgages, ground leases, etc. evidencing the conveyance. In some jurisdictions, closing is referred to as "escrow," a process by which a buyer and seller deliver legal documents to a third party who completes the transaction in accordance with their instructions. Generally the buyer completes their due-diligence during closing (escrow).

**Closing Costs:** Final payments made by the parties to a real estate transaction at the time of closing. Typically included are such payments as legal fees, title insurance fees, recording fees, loan origination fees, property taxes, and real estate transfer fees.

**Conservation Easement:** A perpetual legal agreement between a landowner and a qualified organization, such as a land trust, that restricts future activities on the land so as to protect its conservation values (wildlife habitat, scenic vistas, important agricultural soils, cultural/heritage sites, etc.) while also allowing the landowner to continue owning the land.

**Conservation Purposes:** The purposes a conservation easement must serve to be a tax-deductible donation, as defined by Internal Revenue Code (IRC) s. 170(h) and the associated Treasury Regulations.

**Consideration:** Something of value given by each side in the making of a contract to make the contract binding. For example, when John promises to let Amy use a path across John's land to the ocean for one year in exchange for \$100, the consideration is the \$100 and the right to use the path. If John promises to let Amy use the path for free, then Amy has provided no consideration and the promise is not enforceable as a contract.

**Conveyance:** To transfer title (ownership) of real property (or an interest in real property) from one (grantor) to another (grantee) by a written deed (or an equivalent document). Transfers of title of real property (land) must be recorded in the County Land Records office where the property is located. Conveyance can include the entire parcel of land or it can include granting a lesser property interest that allows only partial use of the land.

**Debt Service:** periodic payment (typically a monthly payment) on a mortgage or other loan. These payments usually include amortization of an amount of principal plus interest to date.

**Deed:** A legal document by which ownership to land and interests in land are transferred.

**Deed Restriction:** Covenants, conditions, and/or agreements that affect the use of the land.

**Disclosure:** The making known of a fact that had previously been hidden; a revelation. For example, disclose major defects related to real property as part of a transaction.

**Due Diligence:** The process of examining a property, related documents, and procedures conducted by or for the potential lender or purchaser to reduce risk. Applying a consistent standard of inspection and investigation one can determine if the actual conditions do or do not reflect the information as represented.

**Earnest Money:** A deposit made by the buyer (grantee) as evidence of good faith in offering to purchase real estate and to secure performance of the contract. Earnest money is typically held by a title company, in an escrow account, during the period between acceptance of the contract

and the closing. Earnest Money will become nonrefundable at a certain set point during closing (escrow).

**Easement:** The right, granted by the landowner, to go onto their private property or use that property for a specific purpose; a right of way.

**Encumbrance:** A cloud against clear, free title to the property which does not prevent conveyance, such as unpaid taxes, easements, deed restrictions, mortgage loans, etc.

**Environmental Site Assessment (ESA):** An assessment to determine the possibility of contamination on the site. There are three phases of ESAs (I, II, III) that progress based on findings. Phase I is a study of past and present activities that occur on a certain plot of land, including a visual inspection and review of the site's historic use. If the Phase I determines the need, a Phase II is conducted by testing (water, soil, other samples) for contaminants. If the tests come back positive a phase III is conducted, which is the remediation of contaminants.

**Escrow:** An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate.

**Fair Market Value (FMV):** The price that a piece of property could earn if sold to an ordinary buyer on the open market.

**Fee Simple** (also fee interest or fee simple interest): A way of describing full ownership of a piece of land, including all of the legal rights of the property. The word "fee" comes from an old English word meaning "land that can be inherited." Less than fee interest is ownership with restricted rights.

**Grantee:** One who receives an asset of value like real estate (with or without compensation).

**Grantor:** One who transfers something of value to another (with or without compensation).

**Land Conserved with a Deed Restriction:** Land encumbered by deed restrictions and owned by a qualified holder organization, but the land lacks a perpetual conservation restriction held by an outside qualified holder organization.

**Land Trust:** A nonprofit organization that holds land for conservation or community benefit. They can be conservation land trusts preserving natural, open spaces or cultural sites. They can also be community land trusts creating affordability and wealth building (frequently housing or agricultural land) through land control.

**Lien:** A creditor's right to have a specific debt paid out of the proceeds of sale of specific property owned by a debtor, or otherwise through the action of a court. The term is also used to identify the property interest that a creditor has in the specific property such debt repayment.

**Letter Of Intent (LOI):** A formal method of stating that a prospective buyer or lessee is interested in property. Generally sets out the business terms of the transaction including price, closing date. Not an offer and creates no obligation.

**Loan-to-Value ratio (LTV),** the ratio (expressed as a percentage) of the amount of a loan to the value of the collateral that secures it. If a property is valued at \$100,000 is mortgaged to secure an \$80,000 loan, the loan-to-value ratio is 80%.

**Option (purchase option):** a right to purchase a specified property on specified terms, within a specified period of time or upon the occurrence of specified circumstances.

**Outright Donation:** A landowner gives all (or part) of their interest in a property to a land trust; the trust makes no payment for the land or easement. The donor typically gains tax benefits for making a charitable contribution. (also see bargain sale)

**Outright Purchase:** On occasion a land trust may pay full price for fee simple ownership of a property. This is expensive for the trust, but may be necessary to conserve an environmentally important piece of land. The seller receives no benefits directly from the land trust.

**Property Interest:** Legal ownership share (either partial or entire) of a piece of real property.

**Property tax:** A tax, paid by a landowner, based on the government's (Most frequently and Assessor estimate of the land's value. Property taxes may be waived when the land is held by a 501(c)3 nonprofit organization.

**Purchase and Sale Agreement (PSA):** A contract between a buyer and seller for the purchase of a Conservation Easement, land in fee simple title, etc. document that details the price and conditions for a transaction. The agreement typically would include: information about the property to be sold, sale price, down payment, earnest money deposit, financing, closing date, length of time the offer is valid, and any special contingencies.

**Real Estate Transfer Tax:** A sales tax on land imposed on the transfer in ownership from one owner to another. The tax is usually based on the value of the land. Unlike property taxes, this tax is not waived for nonprofits.

**Recording (of deeds, mortgages, etc.):** The process of creating a permanent public record of ownership interests in real estate by filing copies of the documents that establish such interests in the "land records" maintained by an agency of local government.

**Remainder Interest:** (also reserved life estate) A landowner may transfer a property to a land trust, but keep the right to live on the land until his or her death. This means that the landowner still has the primary claim to the land and the trust holds the remainder. Full ownership is not transferred to the trust until after the owner's death.

**Right of First Refusal:** A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

**Special Permits:** A permit for a use or structure that is not permitted as a matter of right in a land use zone, but is permitted under the provisions of the zoning ordinance if certain special conditions defined in the ordinance are met. Special permits are sometimes also referred to as conditional uses, special uses, special exceptions, or secondary uses.

**Stewardship:** Those steps necessary to preserve a conservation easement in perpetuity, including the creation of baseline documentation reports, regular monitoring, landowner relations including successor generation landowners, addressing amendments and enforcing easements.

**Survey:** To determine the exact form, boundaries, position, extent, etc., of (a tract of land, section of a country, etc.) by linear and angular measurements and the application of the principles of geometry and trigonometry.

**Sustainable Development:** A philosophy of resource use and management intended to meet society's present needs without compromising the resource for future generations.

**Tax Incentive:** A tax reduction afforded to landowners for particular purposes; for example, for donating coastal land to a land trust for use as a waterfront park.

**Title:** The legal document that proves ownership interest in a piece of land. A title is transferred from one person to another by the use of a deed.

**Transfer of Development Rights:** A technique for guiding growth away from sensitive resources and toward controlled development centers through the transfer of development rights from one area to another. Development Rights in coastal areas would be restricted by the town (and the landowner compensated for that restriction). The town would then recover the cost of the restriction by selling the development rights to developers in other specially designated areas, allowing them to develop more densely than they otherwise would be permitted to.

**Trust land:** Land in which the federal government holds legal title, but the beneficial interest remains with the individual or tribe. Trust lands held on behalf of individuals are known as allotments.

**Underwriting:** The process of evaluating a loan application to determine if it meets credit standards and any other special requirements (as with special loan products for low-income borrowers). The underwriting process determines whether or not a loan will be approved, and on what terms and conditions.

**Water Dependent Use Zoning:** A type of zoning ordinances for functionally water-dependent uses. Municipalities may establish districts within these zones to give preference to commercial fishing and other maritime activities. The ordinance would define what constitutes a permitted water dependent use, and what other uses might be permitted by special permit. The zone must be consistent with the municipality's comprehensive plan.

**Zoning:** The designation of specific areas by a local planning authority within a given jurisdiction for the purpose of legally defining land use or land use categories.