

Office of the County Auditor
Auditor's Analysis

Amendment 1 - REVISED
Council Resolution No. 89-2019

Legislation Introduced: May 6, 2019
Auditor: Craig Glendenning/Michelle R. Harrod

Fiscal Impact – Amendment 1:

The fiscal impact of this amendment depends on the allowable use of the easement. *Additionally, according to the Administration, the County would be responsible for the insurance and liability on the property.*

We determined that the fiscal impact of the unamended resolution is approximately \$617,000. This amount was based on the appraised contributory value of \$667,000 less the \$50,000 sales price.

As indicated in the March 23, 2020, appraisal, the use of this parcel allows for the development of 25 units.

NOTE: This does not consider the potential fiscal impact to the County associated with the additional 25 units noted in the appraisal. Total annual general fund revenue from the 25 units is estimated at \$164,000 with a one-time revenue of \$642,000. In addition, there would be \$30,000 of non-general fund revenue. See **Exhibit A** for details.

Estimated off-setting costs of development includes an annual cost of approximately \$250,000 for education. This is based upon estimated student yield of 0.652 and Fiscal Year 2020 Board of Education cost per student of \$15,340. See Exhibit A for details. Additional operating and capital costs cannot be determined at this time.

If the amendment passes, the fiscal impact is dependent on if the developer is still able to add the 25 units to the development. This provides the following two scenarios:

1. If the easement still allows the additional 25 units, the fiscal impact of the amendment is an additional loss of revenue of \$39,350. This is the difference between the proposed sale price of \$50,000 and the amended price of \$10,650.
2. If the easement does not allow the additional 25 units, the fiscal impact of the amendment is the loss of one-time revenues and the net of the on-going revenue, fees, and operating costs as noted above in addition to the \$10,650 noted above.

We have asked the Department of Planning and Zoning (DPZ) for clarification of the impact of the easement on the total number of units.

The value of the easement resulted from an appraisal, dated March 23, 2020, based on the properties having no development rights. *However, the value of the easement was determined based on its use as “open space or vehicular access” and the value of parking was not considered.*

If the easement still allows the developer to build and profit from the units, particularly because of the parking aspect, we believe the value of the easement is equal to the value of purchase price.

Purpose:

This amendment changes the conveyance of 1.087 acres to “a perpetual non-exclusive easement” to allow access and parking to Dorsey Overlook. In exchange for the easement, Dorsey Overlook, LLLP, agrees to pay the County \$10,650 rather than the \$50,000 agreed-upon purchase price.

Other Comments:

The original \$50,000 sale price was based on an appraisal of the closed portion of Old Maryland Route 108 containing 1.087 acres. The January 2020 appraisal was procured by Thomas Coale, the developer’s attorney. The appraiser was instructed to value the property based on the development potential of the stand-alone property.

However, according to a May 3, 2019, email from Mr. Coale to Melanie Bishop, Department of Public Works - Real Estate Division Chief, “*the value was based on the ability to develop the property in conjunction with the properties now owned by Dorsey Overlook, LLLP.*”

The Council requested an additional independent appraisal procured by the County. Two additional appraisals were procured at a cost of approximately \$2,500 (not noted in the fiscal impact).

The first February 26, 2020, appraisal (discussed above) was based on the contributory value to match what the developer claimed to have procured. As noted above, the property was valued at \$667,000, which was based on the land value of \$1.125 million, less \$458,000 for a utility easement. The Department of Planning and Zoning determined that the property would allow an additional 25 units to the development.

The Administration chose to procure a second appraisal, dated March 23, 2020, based on the properties having no development rights. The property valued at \$12,000, or \$10,650 for the easement. As noted above the value of the easement was determined based on its use as “open space or vehicular access” and the value of parking was not considered.

We also determined that the developer was paid \$1.06 million in June 2020 in exchange for providing an additional 28 Moderate Income Housing Units (MIHU). This brings the total to 41 MIHU program housing units for the Dorsey Overlook project.

Although a site development plan number was issued for this project, according to the Administration, the actual plan has not been submitted by the developer.

Exhibit A

Estimate Revenue Loss for 25 Dorsey Overlook Housing Units

Annual Revenue Sources		One-Time Revenue Sources		Non-General Fund Revenue Sources	
Property Tax	95,282	County Transfer Tax	117,458	Fire Tax	22,176
Local Income Tax	68,472	Recordation	23,492	Ad Valorem	7,517
Total	163,754	School Surcharge	404,063	Total	29,693
		Road Excise Tax	96,975		
		Total	641,987		

Assumptions

Housing Type	Number of Housing Units	Average Square Feet	Average Sales Price	Assumed Taxable Income
SFA	25	2,586	375,866	85,590

Average square foot and average sales price were calculated based upon historical data provided by DPZ from the sale of homes and issuance of building permits. Taxable income was calculated based upon the assumption that monthly home cost is 28 percent of monthly gross income.

Estimate Education Expense for 25 Dorsey Overlook Housing Units

School District	Robinson Overlook Student Yield	Dorsey Overlook Number of Units	Dorsey Overlook Student Yield	Cost Per Student
Elementary Yield	0.294	25	7.340	\$ 112,595
Middle Yield	0.168	25	4.194	\$ 64,340
High Yield	0.191	25	4.774	\$ 73,229
Total Yield	0.652	25	16.308	\$ 250,164

Assumptions

Estimated student yield for Dorsey Overlook was calculated based upon student yield estimates for Robinson Overlook, which were provided by Carl Delorenzo. In addition, we utilized the Fiscal Year 2020 Board of Education cost per pupil of \$15,340.