Office of the County Auditor Auditor's Analysis

Council Bill No. 43-2022

Introduced: June 6, 2022 Auditor: Lori Buchman

Fiscal Impact:

The fiscal impact of this legislation is approximately \$1,014,000 in expenditures from the Agricultural Preservation and Promotion Fund (APPF) over the next 20 years to acquire an agricultural preservation easement on private property within the County. Anticipated financing and payment terms of this acquisition include a 5 percent down payment of \$46,375, twenty annual principal payments of \$44,056, and semi-annual interest payments of 1 percent of the outstanding principal. Transfer tax proceeds will be used to make the payments associated with this acquisition.

The parcel will be eligible to receive the Agricultural Property Tax Credit, which equals 75 percent of the County property tax imposed on the land included in the easement. The future fiscal impact of the tax credit is unknown, as the credit is dependent upon the property owner submitting an annual application and the assessment of the land at the time the credit is applied. Our Office has calculated the tax credit based on the known assessed value for the current tax year at \$1,780.

This fiscal impact does not consider the potential loss of additional property tax revenue and other foregone fees that the County would receive if the property were to be developed, along with other associated costs and revenues.

An appraised value or alternate use of a parcel is not considered when determining the cost per acre of a potential agricultural preservation easement.

NOTE: Our Office has reviewed the Administration's estimated amortization schedule for this Installment Purchase Agreement (IPA) and believes it accurately depicts the terms of the agreement.

The Administration confirmed that this acquisition was included in the most recent APPF cash flow analysis and will not result in a decrease in the noted future projected fund balance. The APPF cash flow can be found in **Attachment A** and is current as of November 2021.

Purpose:

This legislation approves a multi-year IPA in which the County will acquire the development rights of approximately 29.24 acres of agriculture land owned by Eric O'Keefe and Jennifer Shrader located at 6940 Haviland Mill Road in Clarksville for a maximum price of \$924,500 (or not more than \$31,720 per acre).

Our Office notes that in the legislation the price per acre is incorrectly shown at \$29,320. The Administration confirms an amendment will be filed to correct the price per acre.

Other Comments:

The Agricultural Land Preservation Program was first funded in FY 1991. To date, \$141.2 million has been used to acquire the development rights of over 23,100 acres of farmland in Howard County. The Capital Project associated with this program (G0163) will be utilized for this IPA. The Department of Finance indicated there will be approximately \$20 million remaining in Capital Project G0163 following the latest two proposed IPAs (CB43-2022 and CB44-2022).

The County's cost per acre is determined using a Price Formula Worksheet that awards points based on the applicant parcel meeting certain criteria. Each point is valued at \$40 per acre, and this parcel's Price Formula Worksheet scored at 793 points (see **Attachment B**). Our Office verified this parcel's cost per acre of \$31,720 based on the 793 points awarded in the Price Formula Worksheet.

The Agricultural Preservation Board (APB) unanimously voted in favor of recommending the acquisition of this preservation easement on February 28, 2022.

The total transfer tax revenue for FY 2021 was \$55,649,810, versus a budget amount of \$31,292,000. The total transfer tax revenue for FY 2022 year to date (as of June 2, 2022) is \$54,653,356, as compared the budgeted amount of \$44,875,000.

Attachment A

Howard County Maryland Agricultural Land Preservation Program (Fund 2021) Cash Flow Analysis as of November 2021

				Revenues				Expenses								
		Acct 485200		Acct 401550	Acct 409930								Cost of			
	Beginning	Interest on Cash	Acct 432490	State Ag	Transfer Tax		Existin	ng Debt Service		Settled			Zero Coupon	Admin		
Fiscal	Fund	Balance Only +	& 489900	Transfer	Receipts	Total	Through	Treasury Strip		Open	Projected	NET DEBT	Bonds or Cash	Costs	Total	Ending
Year	Balance	0.05%	Miscellaneous	Tax		Revenues	Batch 14	Income	Net	Enrollment	Enrollments ⁽²⁾	SERVICE	or 5% Down ⁽¹⁾	2.00%	Expenses	Balance
1989*	6,354,294	706,268		481,283	3,025,054	4,212,605	•							312,364	312,364	10,254,535
1990*	10,254,535	968,033		245,416	3,157,620	4,371,069	113,121		113,121			113,121		412,158	1,306,254	13,319,350
1991*	13,319,350	973,479		120,383	2,182,444	3,276,306	1,391,632		1,391,632			1,391,632		512,586	3,190,262	13,405,394
1992*	13,405,394	540,000		95,795	2,414,000	3,049,795	2,902,362		2,902,362			2,902,362		492,159	4,235,540	12,219,649
1993*	12,219,649	425,833		307,068	2,867,643	3,600,544	3,249,157		3,249,157			3,249,157		220,083	3,719,095	12,101,098
1994*	12,101,098	434,712		173,644	2,924,150	3,532,506	3,047,698		3,047,698			3,047,698		291,205	3,338,903	12,294,701
1995*	12,294,701	632,862	25.000	309,360	2,638,781	3,581,003	3,764,416		3,764,416			3,764,416		391,596	5,351,996	10,523,708
1996* 1997*	10,523,708 9,051,669	5,262 505,856	35,889	288,878 648,547	2,579,633 2,807,126	2,909,662 3,961,529	3,979,581 3,976,066		3,979,581 3,976,066			3,979,581 3,976,066		308,705 344,458	4,381,701 5,077,237	9,051,669 7,935,961
1997	7,935,961	247,392	33,169	648,624	3,460,501	4,389,686	4,256,933		4,256,933			4,256,933		279,786	4,536,719	7,788,928
1999*	7,788,928	427,116	12,500	936,770	4,137,528	5,513,914	4,203,247		4,203,247			4,203,247		292,169	4,495,416	8,807,426
2000*	8,807,426	273,536	85,812	557,200	4,263,890	5,180,438	4,256,710		4,256,710			4,256,710		244,463	4,501,173	9,486,691
2001*	9,486,691	200,000	6,200	588,231	4,352,006	5,146,437	4,174,116		4,174,116			4,174,116		318,900	4,493,016	10,140,112
2002*	10,140,112	100,000	1,000	457,510	4,883,685	5,442,195	4,259,652		4,259,652			4,259,652		369,167	5,107,463	10,474,844
2003*	10,474,844	100,000		986,115	5,415,733	6,501,848	4,254,375		4,254,375			4,254,375		358,480	4,612,855	12,363,837
2004*	12,363,837	113,000		1,832,033	6,925,516	8,870,549	4,385,582		4,385,582			4,385,582		493,883	4,879,465	16,354,921
2005*	16,354,921	110,000		608,704	8,488,301	9,207,005	4,277,428		4,277,428			4,277,428	i de la construcción de la constru	466,400	4,743,828	20,818,098
2006*	20,818,098	745,655		1,326,231	9,253,090	11,324,976	4,356,963		4,356,963			4,356,963		530,411	4,887,374	27,255,700
2007*	27,255,700	1,018,815		1,663,296	7,491,284	10,173,395	4,248,809		4,248,809			4,248,809		494,635	4,743,444 #	32,685,651
2008*	32,685,651	1,288,612	42,828	446,135	6,021,535	7,799,110	4,603,210		4,603,210			4,603,210		548,120	10,256,934	30,227,827
2009*	30,227,827	535,715		55,585	4,592,745	5,184,045	4,731,892		4,731,892			4,731,892		613,380	5,872,200	29,539,672
2010*	29,539,672	121,154	8,297	98,306	5,319,203	5,546,960	4,846,765		4,846,765			4,846,765		807,122	5,653,887	29,432,745
2011*	29,432,745	66,497	255	39,306	5,329,914	5,435,971	4,872,648		4,872,648			4,872,648		958,109	6,972,358	27,896,358
2012*	27,896,358	34,342	11,946	164,703	6,450,253	6,661,244	6,977,789		6,977,789			6,977,789		1,027,270	10,810,959	23,746,643
2013*	23,746,643	27,014	1,000	104,136	6,316,161	6,448,311	7,404,920		7,404,920			7,404,920		1,097,624	8,502,544	21,692,410
2014*	21,692,410	18,281	12,800	153,431	6,726,946	6,911,458	7,435,078		7,435,078			7,435,078		1,223,474	13,112,297	15,491,572
2015*	15,491,572	23,318	7,616	162,316	7,741,048	7,934,298	7,277,546		7,277,546	612,187		7,889,733		1,071,788	9,614,016	13,811,854
2016*	13,811,854	53,274	745	105,166	7,892,622	8,051,806	7,307,704		7,307,704	948,454		8,256,158		1,326,804	9,923,047	11,940,613
2017*	11,940,613	45,348	600	125,326	9,476,018	9,647,292	13,753,373	(6,608,200)	7,145,173	1,021,346		8,166,518		1,469,848	10,202,497	11,385,408
2018*	11,385,408	107,517	24,785	291,059	9,456,530	9,879,891	8,395,158	(1,669,000)	6,726,158	2,293,469		9,019,627		1,554,016	10,736,573	10,528,726
2019*	10,528,726	290,705	6,000	314,891	7,841,755	8,453,351	7,248,477	(759,000)	6,489,477	2,061,143		8,550,621		1,055,414	9,606,035	9,376,042
2020* 2021*	9,376,042	132,640	214,800	928,659		11,311,343	19,742,111	(13,604,000)	6,138,111	2,026,896		8,165,007 6,811,147		878,188	9,043,195	11,644,190 14,931,796
2021	11,644,190	48,401 7,466	97,698	223,293 100,000	11,129,962		19,299,498	(14,481,000)	4,818,498 3,800,478	1,992,649 2,014,286		5,814,765		1,400,601	8,211,748 7,700,393	20,198,869
2022	14,931,796 20,198,869	10,099		100,000	12,860,000 11,480,000	12,967,466	7,495,478 3,541,367	(3,695,000)	3,541,367	2,014,280	697,423	<u>6,725,233</u>		1,428,613 1,457,186	8,854,904	20,198,869 22,934,065
2023	22,934,065	11,467		100,000		11,591,467	13,721,970	(10,287,000)	3,434,970	2,461,501	760,244	6,656,715		1,486,329	8,143,045	26,382,487
2024	26,382,487	13,191		100,000		11,773,191	2,657,090	(10,207,000)	2,657,090	2,422,432	753,856	5,833,377		1,516,056	7,349,433	30,806,245
2025	30,806,245	15,403		100,000	12,100,000	12,215,403	3,150,637	(557,000)	2,593,637	2,383,363	747,467	5,724,467		1,546,377	7,270,844	35,750,804
2020	35,750,804	17,875		100,000	12,360,000	12,477,875	7,566,689	(5,245,000)	2,321,689	2,344,294	741,078	5,407,061		1,577,305	6,984,366	41,244,313
2028	41,244,313	20,622		100,000	12,620,000	12,740,622	4,251,587	(2,158,000)	2,093,587	2,308,620	734,690	5,136,897		1,608,851	6,745,747	47,239,188
2029	47,239,188	23,620		100,000	12,920,000	13,043,620	1,904,839	(2,100,000)	1,904,839	2,266,156	728,301	4,899,297		1,641,028	6,540,325	53,742,483
2030	53,742,483	26,871		100,000	13,220,000	13,346,871	1,856,362		1,856,362	1,815,406	721,913	4,393,681		1,673,848	6,067,529	61,021,825
2031	61,021,825	30,511		100,000	13,520,000	13,650,511	1,807,885		1,807,885	1,785,412		4,308,821		1,707,325	6,016,146	68,656,190
2032	68,656,190	34,328		100,000	13,780,000	13,914,328	270,081		270,081	1,338,425	709,135	2,317,641		1,741,472	4,059,113	78,511,405
2033	78,511,405	39,256		100,000	14,200,000	14,339,256			_::;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;	1,317,579	702,747	2,020,326		1,776,301	3,796,627	89,054,033
2034	89,054,033	44,527		100,000	14,400,000	14,544,527				1,296,733	696,358	1,993,091		1,811,827	3,804,918	99,793,642
2035	99,793,642	49,897		100,000	14,660,000	14,809,897				1,167,585	689,970	1,857,554		1,848,064	3,705,618	110,897,921
2036	110,897,921	55,449		100,000	14,880,000	15,035,449				909,485	683,581	1,593,066		1,885,025	3,478,091	122,455,280
2037	122,455,280	61,228		100,000	15,000,000	15,161,228				896,329	677,192	1,573,522		1,922,726	3,496,247	134,120,260
2038	134,120,260	67,060		100,000		15,447,060				660,564	670,804	1,331,368		1,961,180	3,292,548	146,274,772
2039	146,274,772	73,137		100,000		15,753,137				499,261	664,415	1,163,676		2,000,404	3,164,080	158,863,830
2040	158,863,830	79,432		100,000	15,900,000	16,079,432				494,439	658,027	1,152,465		2,040,412	3,192,877	171,750,385
2041	171,750,385	85,875		100,000	16,200,000	16,385,875				489,617	651,638	1,141,255		2,081,220	3,222,474	184,913,785
2042	184,913,785	92,457		100,000	16,524,000					437,560		1,082,809		2,122,844	3,205,654	198,424,589
Total	, ,	12,180,408	603,940	17,587,401	478,221,921	. , -	237,218,002	(59,063,200)	178,154,802	42,751,634		234,956,049	22,567,566	58,999,760	316,523,375	
1.5101		12,100,400	000,040	,501,701	,		201,210,002	(00,000,200)		.2,101,004		,000,040	22,007,000	33,300,700	3.0,020,010	

Attachment B

		Howard County Agricultural Land Preservation Program 2020 PRICE FORMULA WORKSHEET									
	FARMLAND	Owner Eric O'Keefe & Jennifer Shrader Tax Map				39	Parcel(s)	1 (Lot 1)			
	Fin Deservery Received Courty Deservery Into Market Streamers Parameter	Farm Address	6940 Havil	and Mill Rd, Clarks	ville		Acres_	29.24			
								POINTS			
1.	Parcel Size Relative to Ave	erage Acreage of I	Remaining Ur	ncommitted Land	. ,	Maximum 150	points _	75			
	40 acres or more				150 points						
	35 acres to 39.9 acres 30 acres to 34.9 acres				125 points 100 points						
	25 acres to 29.9 acres			29.2	75 points						
	20 acres to 24.9 acres				50 points						
2.	Soil Capability – Percentag	ge of Class I, II an	d III Soils Rel	ative to Property 1	Total	Maximum 150	points	100			
	90% or greater Class I, II a				150 points		· -				
	80% to 89% Class I, II and	d III Soils			125 points						
	70% to 79% Class I, II and			76	100 points						
	60% to 69% Class I, II and				75 points						
	Less than 60% Class I, II a	and III Soils			50 points						
3.	Soil Productivity as Measu		uation Score			Maximum 150	points _	125			
	90 or greater Land Evaluation			00	150 points						
	80-89 Land Evaluation Sco 70-79 Land Evaluation Sco			83	125 points 100 points						
	60-69 Land Evaluation Sc				75 points						
	Less than 60 Land Evalua				50 points						
4.	Adjacency to Preserved La	and				Maximum 125	points	100			
	75 to 100% perimeter adja		nd		125 points						
	50 to 74% perimeter adjac			61%	100 points						
	25 to 49% perimeter adjac				75 points						
	Less than 25% perimeter a	adjacent to preserved	land		50 points						
5.	Concentration of Preserve				105	Maximum 125	points _	100			
	More than 600 acres of pro			421	125 points						
	400-599 acres of preserve 200-399 acres of preserve			421	100 points 75 points						
	Less than 200 acres of pre				50 points						
6.	Current Land Use					Maximum 150	points	150			
	90% or greater of property	in agricultural use		93%	150 points			100			
	80% to 89% of property in	-			125 points						
	70% to 79% of property in	•			100 points						
	60% to 69% of property in	-			75 points						
	Less than 60% of property	in agricultural use			50 points						
7.	Soil Conservation and Wat	ter Quality Plan (S	CWQP)/Best	Management Prac	ctices (BMPs)	Maximum 100	points _	75			
	Longstanding landowner reweith no major resource con		, and SCWQP o	on the property is pre	dominantly impleme	ented		100 points			
	Landowner has relationship with SCD and has made considerable efforts to implement SCWQP on this property or another property, or landowner has implemented considerable BMPs on their own X										
	New relationship with SCD and has made efforts to implement SCWQP on this property or another property, or landowner has implemented BMPs on their own							50 points			
	New SCWQP with no cons	servation or BMP act	ivity					0 points			

POINTS

8. Ownership and Operation X Owner operated X Non-owner operated	Maximum 50 points 50 points 25 points 0 points	50							
SUBTOTAL POINTS	Maximum 1000 points	775							
PRELIMINARY PRICE CALCULATION - Maximum \$40,000 per acre									
775 points x \$40/point =\$31,000									
Additional Points - Maximum 100 points									
 Relinquishment of Tenant House Rights, if applicable <u>1</u> Number of tenant houses allowed by right at 1 per 25 acres <u>0</u> Tenant house rights relinquished x 10 points per house 	Maximum 50 points								
2. Optional APB Points See separate scoring sheet - points may be added or subtracted	Maximum +/- 50 points	18							
TOTAL POINTS	Maximum 1000 points	793							
FINAL PRICE CALCULATION - Maximum \$40,000 per acre									
<u>793</u> points x \$40/point = \$31,720									
TOTAL PRICE OFFER									
29.24 acres x \$31,720 per acre =		\$927,493							