

Office of the County Auditor
Auditor's Analysis

Council Bill No. 44-2022

Introduced: June 6, 2022

Auditor: Michael A. Martin

Fiscal Impact:

The fiscal impact of this legislation is approximately \$865,867 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 \$39,585, twenty annual principal payments of \$37,606, 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 \$3,245.

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 (see **Attachment A**).

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 B** 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 25.77 acres of agriculture land owned by Scott O'Keefe located at 6950 Haviland Mill Road in Clarksville for a maximum price of \$791,700 (or not more than \$30,720 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 was scored at 768 points (see **Attachment C**). Our Office verified this parcel's cost per acre of \$30,720 based on the 768 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 to the budgeted amount of \$44,875,000.

Attachment A

Howard County, Maryland
 Agricultural Land Preservation Program
 Installment Purchase Amortization Schedule

Landowner:	Scott O'Keefe Lot 2	Acres:	25.77
	20 Year Amortization - 5% Down	Price per acre:	\$30,720.00
		Total price:	\$791,700.00
		Down Payment	\$39,585.00
Interest Rate:	1.0000%	Interest:	74,166.93
Settlement:	October 5, 2022	Total payments:	\$865,866.93
	Estimated - subject to change		

Date	Principal Amount	Interest	Semi-annual Debt Service	Annual Debt Service	Balance
February 15, 2023	37,605.75	2,715.97	40,321.72		\$752,115.00
August 15, 2023		3,572.55	3,572.55	43,894.27	714,509.25
February 15, 2024	37,605.75	3,572.55	41,178.30		676,903.50
August 15, 2024		3,384.52	3,384.52	44,562.82	676,903.50
February 15, 2025	37,605.75	3,384.52	40,990.27		639,297.75
August 15, 2025		3,196.49	3,196.49	44,186.76	639,297.75
February 15, 2026	37,605.75	3,196.49	40,802.24		601,692.00
August 15, 2026		3,008.46	3,008.46	43,810.70	601,692.00
February 15, 2027	37,605.75	3,008.46	40,614.21		564,086.25
August 15, 2027		2,820.43	2,820.43	43,434.64	564,086.25
February 15, 2028	37,605.75	2,820.43	40,426.18		526,480.50
August 15, 2028		2,632.40	2,632.40	43,058.58	526,480.50
February 15, 2029	37,605.75	2,632.40	40,238.15		488,874.75
August 15, 2029		2,444.37	2,444.37	42,682.52	488,874.75
February 15, 2030	37,605.75	2,444.37	40,050.12		451,269.00
August 15, 2030		2,256.35	2,256.35	42,306.47	451,269.00
February 15, 2031	37,605.75	2,256.35	39,862.10		413,663.25
August 15, 2031		2,068.32	2,068.32	41,930.42	413,663.25
February 15, 2032	37,605.75	2,068.32	39,674.07		376,057.50
August 15, 2032		1,880.29	1,880.29	41,554.36	376,057.50
February 15, 2033	37,605.75	1,880.29	39,486.04		338,451.75
August 15, 2033		1,692.26	1,692.26	41,178.30	338,451.75
February 15, 2034	37,605.75	1,692.26	39,298.01		300,846.00
August 15, 2034		1,504.23	1,504.23	40,802.24	300,846.00
February 15, 2035	37,605.75	1,504.23	39,109.98		263,240.25
August 15, 2035		1,316.20	1,316.20	40,426.18	263,240.25
February 15, 2036	37,605.75	1,316.20	38,921.95		225,634.50
August 15, 2036		1,128.17	1,128.17	40,050.12	225,634.50
February 15, 2037	37,605.75	1,128.17	38,733.92		188,028.75
August 15, 2037		940.14	940.14	39,674.06	188,028.75
February 15, 2038	37,605.75	940.14	38,545.89		150,423.00
August 15, 2038		752.12	752.12	39,298.01	150,423.00
February 15, 2039	37,605.75	752.12	38,357.87		112,817.25
August 15, 2039		564.09	564.09	38,921.96	112,817.25
February 15, 2040	37,605.75	564.09	38,169.84		75,211.50
August 15, 2040		376.06	376.06	38,545.90	75,211.50
February 15, 2041	37,605.75	376.06	37,981.81		37,605.75
August 15, 2041		188.03	188.03	38,169.84	37,605.75
February 15, 2042	37,605.75	188.03	37,793.78	37,793.78	0.00
	\$ 752,115.00	\$ 74,166.93	\$ 826,281.93	\$ 826,281.93	

Attachment C



**Howard County Agricultural Land Preservation Program
2020 PRICE FORMULA WORKSHEET**

Owner Scott O'Keefe Tax Map 39 Parcel(s) 1 (Lot 2)
 Farm Address 6950 Haviland Mill Rd, Clarksville Acres 25.77

POINTS

1. Parcel Size Relative to Average Acreage of Remaining Uncommitted Land (40 acres)	Maximum 150 points	75
40 acres or more _____ 150 points		
35 acres to 39.9 acres _____ 125 points		
30 acres to 34.9 acres _____ 100 points		
25 acres to 29.9 acres <u>25.77</u> 75 points		
20 acres to 24.9 acres _____ 50 points		
2. Soil Capability – Percentage of Class I, II and III Soils Relative to Property Total	Maximum 150 points	125
90% or greater Class I, II and III Soils _____ 150 points		
80% to 89% Class I, II and III Soils <u>84%</u> 125 points		
70% to 79% Class I, II and III Soils _____ 100 points		
60% to 69% Class I, II and III Soils _____ 75 points		
Less than 60% Class I, II and III Soils _____ 50 points		
3. Soil Productivity as Measured by Land Evaluation Score	Maximum 150 points	125
90 or greater Land Evaluation Score _____ 150 points		
80-89 Land Evaluation Score <u>82</u> 125 points		
70-79 Land Evaluation Score _____ 100 points		
60-69 Land Evaluation Score _____ 75 points		
Less than 60 Land Evaluation Score _____ 50 points		
4. Adjacency to Preserved Land	Maximum 125 points	75
75 to 100% perimeter adjacent to preserved land _____ 125 points		
50 to 74% perimeter adjacent to preserved land _____ 100 points		
25 to 49% perimeter adjacent to preserved land <u>44%</u> 75 points		
Less than 25% perimeter adjacent to preserved land _____ 50 points		
5. Concentration of Preserved Lands	Maximum 125 points	100
More than 600 acres of preserved land within 3/4 mile _____ 125 points		
400-599 acres of preserved land within 3/4 mile <u>443</u> 100 points		
200-399 acres of preserved land within 3/4 mile _____ 75 points		
Less than 200 acres of preserved land within 3/4 mile _____ 50 points		
6. Current Land Use	Maximum 150 points	125
90% or greater of property in agricultural use _____ 150 points		
80% to 89% of property in agricultural use <u>81%</u> 125 points		
70% to 79% of property in agricultural use _____ 100 points		
60% to 69% of property in agricultural use _____ 75 points		
Less than 60% of property in agricultural use _____ 50 points		
7. Soil Conservation and Water Quality Plan (SCWQP)/Best Management Practices (BMPs)	Maximum 100 points	75
Longstanding landowner relationship with SCD, and SCWQP on the property is predominantly implemented with no major resource concerns _____ 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 <u>X</u> 75 points		
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 conservation or BMP activity _____ 0 points		

			POINTS
8. Ownership and Operation			
Owner operated	_____ X	50 points	_____ 50
Non-owner operated	_____	25 points	
No current operation	_____	0 points	

SUBTOTAL POINTS **Maximum 1000 points** _____ 750

PRELIMINARY PRICE CALCULATION - Maximum \$40,000 per acre

_____ 750 points x \$40/point = _____ \$30,000

Additional Points - Maximum 100 points

1. Relinquishment of Tenant House Rights, if applicable

Maximum 50 points _____

- _____ 1 Number of tenant houses allowed by right at 1 per 25 acres
- _____ 0 Tenant house rights relinquished x 10 points per house

2. Optional APB Points

Maximum +/- 50 points _____ 18

See separate scoring sheet - points may be added or subtracted

TOTAL POINTS **Maximum 1000 points** _____ 768

FINAL PRICE CALCULATION - Maximum \$40,000 per acre

_____ 768 points x \$40/point = _____ \$30,720

TOTAL PRICE OFFER

_____ 25.77 acres x _____ \$30,720 per acre = **\$791,654**